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Expanding your horizons?

A guide to setting up business across the Middle East, North Africa and South Asia region

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Introduction



The Middle East / North Africa/ South Asia ("MENASA") region is one exemplified by inherent diversity. Such variation is widely demonstrated in the array of culture, language, geography and economics. Stretching from Morocco to Bangladesh, each country has its own distinct makeup of natural resources and global outlook. As an inevitable result, political and economic events of recent times have affected the representative nations in dramatically different ways. Certain countries have enjoyed the benefits of significant natural resources (e.g., substantial oil reserves). Currently we are in a period of political development and change in much of the region. These circumstances have been magnified by the on-going global financial and economic developments in the aftermath of the crisis. And this diversity has further evidenced itself in the respective approaches to foreign investment, regulation and taxation. Many countries remain less restrictive with respect to foreign investment while others have limited such influx of capital through ownership restriction (e.g., UAE, Qatar). Whilst many parties continue to debate removing such restrictions or are pursuing it less actively, others such as Algeria have recently instituted laws controlling foreign

investment. Likewise, the approach to taxation has evolved particular to each nation's specific needs and respective development. In terms of tax, there is little uniformity that reflects the region as a whole. As a result, the intentions of any party seeking to do business in the region must be sensitive to the different approaches that may be faced. As recent examples in 2010, both Oman and Qatar lowered the statutory tax rates on most activity (to 12 and 10 percent, respectively) in an effort to diversify their economies and conform to the region at large. Both have, however, retained relatively high rates of tax on income realized from the oil & gas sector. Such shifts in focus signify new approaches to the region's larger goals and presence in the wider economic world.

As the MENASA region continues to evolve and further diversify its interests, the various approaches to regulatory and tax law will no doubt evolve with it. It is reasonable to assume that changes of varying degree will continue to impact the region in the immediate future. This guide is intended to be generally applicable for laws effective as of 31 December 2010.

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KPMG in the Middle East, North Africa and South Asia



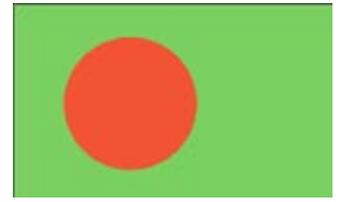
Afghanistan



Algeria



Bahrain



Bangladesh



Egypt



Iraq



Jordan



Kuwait



Lebanon



Morocco



Sultanate of Oman



Pakistan



Qatar



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Regulatory/Legal

Setting up business

Under the Corporation and Limited Liability Company Law, business cannot be transacted or advertised in Afghanistan as a corporation or limited liability company unless a business license is obtained from the relevant registering authority.

In addition to the above banks and the hotels are required to be registered with the central bank and the tourism department respectively.

Commonly used business entities

In Afghanistan, business entities may be registered as

- Corporation
- (Joint Stock Company)
- Limited Liability Company
- (Limited liability Firm)
- Partnership
- (Firm with unlimited liability of partners)
- Individual
- (Sole proprietorship)
- Branch office of the Foreign entity

Main legal formalities for the formation of a company or registration of a branch

Trading companies are required to be registered with the Ministry of Economy whereas all other business entities are required to be registered with the Afghanistan Central Registry through Afghan Investment Support Agency (AISA).

A Branch of a foreign company is registered in the same status i.e. branch of the foreign company.

The requirements for registration of a corporation and of limited liability companies are:

- At least two shareholders
- The Management is run by the Board of Directors and Board of Supervisors
- For registration of a foreign company, in addition to the normal formalities, an introductory letter from the Embassy of the Country of origin and a brief description of the past and future activities of the company are also required.

Currency/monetary restrictions

There are no restrictions on the movement of foreign currency. Transfer of money through unrestricted channels is not restricted under any law.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Financial Statements are required to be prepared according to IFRS.

Audit requirements

There is no provision in the law for external audit except for Banks.

Requirements for foreign investors

There are no additional requirements for foreign investors.

Book year/accounting currency

The fiscal year of Afghanistan starts from 21 March and ends on 20 March. The official currency is Afghani, however records may be maintained in foreign currency.

Format

There is no prescribed Format for Financial Statements; however the Format under IFRS may be adopted.

Tax

Approval requirements

No specific requirement for approval exists in the Income Tax Law. However, according to the prevailing procedure, the taxpayers are required to be registered in LTO (Large Taxpayers' Office) MTO (Medium Taxpayers' Office) or STO (Small Taxpayers' Office) according to the size of capital and revenue of the taxpayer.

Advance tax rulings/
Advance pricing agreements (APA)

There is provision in the Income Tax Law regarding private ruling in relation to any issue arising to the taxpayer including exemption of revenue/income from activities under international agreements.

Income tax compliance

Taxpayers are required to file the income tax return in the relevant tax office within three months of the end of the tax year.

Tax losses of the entities registered with Afghanistan Investment Support Agency (AISA) are carried forward as a deduction from the taxable income in subsequent years for an unlimited period. Whereas in the case of other entities, losses may be carried forward and deducted from the income of the three succeeding years, deducting one third of the loss in each tax year.

The Business Receipts tax is chargeable on gross revenue on a quarterly basis payable within 15 days at the end of each quarter. The business receipt tax varies from 2% to 10%.

Under Afghanistan Income Tax Law, taxpayers are required to withhold tax from payment against salaries, interest, dividends, lotteries, gratuities, royalties, bonuses, services, rent, supply of goods and provision of services and to file different reports to the Afghan Revenue Department containing the details of such payments and the taxes withheld thereon. The withholding tax rates vary from 2% to 20% depending on the source of income.

Indirect tax compliance	No indirect tax exists in Afghanistan.
Other tax compliance	In addition to submission of quarterly statements the taxpayer is also required to prepare & issue to each employee an annual wage and tax withholding statement.
Director's liability to tax	<p>The directors of corporation have a liability limited to their shares.</p> <p>The director's liability to tax is generally treated at the same rates as the other tax payers in the country.</p>



Algeria

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Regulatory/Legal

Setting up business

Except when specifically required for defined activities (for example, banking, insurance and financial activities, some transportation activities, professional training, etc.) there is no need for specific agreements or a license to operate.

However, following the Supplementary Finance Law for 2009, foreign investments in Algeria must be preliminarily declared to the National Investment Development Agency (Agence Nationale pour le Développement de l'Investissement – ANDI) and seek prior approval of the National Investment Council (Conseil National de l'Investissement – CNI).

Furthermore, foreign investment must be done only in partnership with Algerian shareholders, the Algerian national resident partner must have at least for newly established companies:

- 30% of the share capital in case activities of imports of raw materials, products and goods purchased for resale;
- 51% of the share capital, for activities of production of goods and services.

The following are considered to be investments as per Algerian rules:

- Acquisition of assets which fall within the framework of the creation of new activities or which are likely to expand production capacity, or to renovate or restructure manufacturing facilities;
- Participation in the capital of enterprises (in the form of in-kind or cash contributions);
- Buyout of activities within a total or partial privatization.

In addition to the above and according to the Supplementary Finance Law for 2010 any change of registration in the register of trade of existing companies, leads to prior compliance with the rules of company's allocation of capital as provided for (i.e. to have 51% or 30% Algerian participation). This provision is not applicable in the following situations however:

- A share capital modification (increase or decrease) which does not induce a modification of the shareholding and the share capital distribution between the shareholders.
- The removal of an activity or the addition of a secondary activity.

- The modification of the activity following the modification of the activity's nomenclature.
- The appointment of managers or of executive officers of the company.
- The modification of the registered office.

Commonly used business entities

In accordance with the new rules mentioned above, branches of foreign companies are no longer permitted in Algeria. Therefore, apart from the liaison office and permanent establishment, the only available form of business entity in Algeria is the company.

The two most commonly used types of companies are:

- Joint stock Company (société par actions – SPA);
- Limited liability Company (société à responsabilité limitée – SARL).

Main legal formalities for the formation of a company or registration of a branch

The above mentioned types of company have different characteristics and requirements, for instance:

- With respect to the number of shareholders (e.g., minimum of 7 shareholders for SPAs)
- Requirement for minimum amount of share capital (100,000 DA for SARLs and 1,000,000 DA for SPAs)
- Management modalities (one or several managers for SARLs; for SPAs a requirement for board of directors or directory and supervisory board)
- Only SPAs can be made public; in such cases other specific conditions must be fulfilled.

It is compulsory to have a physical address for the head office, which must be proved by the ownership of the premises or a notarized lease.

Summary of formalities

Once all required documentation has been collated (which will need to be legalized by the relevant Algerian consulate for foreign documents), the preliminary steps mentioned above have been fulfilled, and the corporate name reserved, the articles of association must be signed in the presence of a notary, who would then proceed to a publication regarding the formation of the company.

Registration is also required to be made with the trade register (Centre National du Registre du Commerce – CNRC) and subsequently with the tax administration and the social security administration (CNAS). It should be noted that specific declarations must be met when importing the share capital to ensure future repatriation of dividends.

Foreign companies coming to Algeria to execute specific and punctual services or construction contracts may operate by way of registration with the tax and social security administration, but without the need for a legal entity to be established in the country.

Currency/monetary restrictions

Foreign exchange rules are important in Algeria and any movement of funds must be made through a commercial bank which is responsible for its compliance with existing rules and to report such movements to the Central Bank. Specific conditions and formalities exist, for example, for dividends, technical assistance and importation of services.

Dividends cannot be transferred when they are derived from a trading activity but only when they come from a production (of goods or services) activity. Importation of goods must be paid by documentary credit. Importations of service, when authorized, are subject to the payment of a 3% domiciliation tax.

Apart from the share capital, investments in Algeria must be financed locally.

Regulatory requirements for Financial Services

Financial services are subject to a specific regulation and are under the authority of the Central Bank and the Credit and Monetary Council (Conseil de la Monnaie et du Cr dit – CMC).

Accounting/Finance for companies and Algerian branches of foreign companies

Financial statements

All companies must produce annual financial statements, management report and additional appendices. Such financial statements must be published with the CNRC one month after the annual general meeting that has approved them and in no case after 31 July. Failing to meet this requirement can lead to a fine of 300,000 DA and being listed on the “swindlers’ file” which implies exclusion from all public bids and inability to transfer funds outside Algeria.

Audit requirements

Currently all companies must have their annual accounts audited by duly registered Algerian auditors. Audit fees are defined by law.

Requirements for foreign investors

As indicated earlier, foreign investors have certain obligations and requirements that need to be fulfilled, namely, preliminary declaration to ANDI, obtain prior approval of the CNI and requirement for an Algerian national resident to hold 51% or 30% (depending on the nature of the company activity) of the share capital for companies set up after 28 July 2009.

Additionally, a pre-emption right that benefits the Algerian state and state owned companies has been introduced recently with respect to a transfer of shares of an Algerian company made to or by foreign shareholders.

Strictly speaking, there is no obligation to have resident managers for the company. However, in practice, tax administration requires at least an address in Algeria for the person designated as the company’s representative and a certain number of procedures require physical presence of the manager.

Book year/accounting currency	Accounts must be presented for a twelve month period which is the calendar year. The first financial year may be extended, upon approval by the tax administration. Books must be kept in Algerian Dinars and a certain number of formal requirements must be followed to avoid rejection of the accounts in case of a tax audit.
Format	<p>Starting January 2010, the Algerian accounting rules changed significantly. Both accounting principles and financial statements formats have been harmonized with IFRS principles. The new system is required for all companies, except the smallest ones.</p> <p>The main changes with prior system are the obligation to prepare a cash-flow statement and some notes as part of financial statements, and to book adjustments for leasing, pension provisions, provisions for impairment and deferred taxation.</p> <p>Another significant impact will be that companies will no longer be authorized to present significant amounts in extraordinary items.</p>
Tax	
Approval requirements	There is no specific approval required for tax purposes. However, all companies must register with the tax administration and obtain a tax identification number. Additional registration may be required for the purposes of tax on professional activity (see below), which is paid locally for each site where the company operates.
Advance tax rulings/ Advance pricing agreements (APA)	Such procedures are not formally organized under Algerian law but it is in practice always possible to raise questions to the tax administration and ask for confirmation regarding the tax treatment of a specific operation.
Income tax compliance	<p>Apart from the accounting obligations mentioned above, taxpayers must submit a declaration of existence to the tax authorities having jurisdiction over the territory in which they operate within thirty days after beginning their activities.</p> <p>At the moment of transferring or winding up a company, owed taxes will be immediately assessed on the basis of the income that has not yet been taxed.</p> <p>Taxes on corporate profits are set up in the name of legal persons where their headquarters or their main establishment is located.</p> <p>The annual income statement must be submitted at the latest by 30 April each year. If the entity has suffered losses, the amount of the deficit must be declared under the same conditions.</p> <p>Starting from 2010, the deficit of a fiscal year is deductible from the profits of subsequent fiscal years up to and including the fourth fiscal year . The freedom to offset losses against profits is given to firms during this four-year period; however the firms must post their oldest losses first¹.</p>

¹Before the finance law for 2010 this period was of five (5) years.

The payment of taxes by firms established under Algerian law consists of three instalment payments of 30% of the taxes pertaining to the income of the last fiscal year. The tax balance is recovered by spontaneous payment without a tax roll. Corporate income tax rate is 25% of profits for services or distribution activities, and 19% of profits for construction, public works, tourism and production of goods.

In the case of newly established corporations, each instalment payment is equal to 30% of the tax calculated on the basis of an estimated 5% yield on called-up capital.

Indirect tax compliance

Value-added tax (VAT) applies to any activity pertaining to sales operations, construction works, the performance of services and importation, regardless of the legal status of the persons involved in conducting these operations and without consideration of their situation with regard to the provisions contained in the legislation as far as other taxes.

In the case of sales, a transaction is deemed to have taken place in Algeria when it is carried out in accordance with delivery terms and conditions of the merchandise in Algeria.

In the case of other operations, a transaction is deemed to have taken place in Algeria, when the service performed, the transferred right, the rented object or the studies done are used or exploited in Algeria.

The normal rate is 17% and reduced rate is 7%. Some operations are exempted.

Other tax compliance

Companies operating in Algeria also have other tax obligations, such as the payment of tax on professional activity (Taxe sur l'Activité Professionnelle – TAP), which is a tax based on turnover and normally equal to 2% of turnover.

Companies are also liable to withhold a certain number of taxes, the most important of which being the income tax due by their employees on their salaries (paid according to a progressive rate, from 0 to 35%), as well as social security contributions. It might also be required to withhold taxes due by foreign service providers.

Foreign companies operating in Algeria as PE's are subject to an additional taxation (Branch tax) at the rate of 15% levied on profit after CIT instead of the other taxes paid.

Transfer pricing rules are becoming stricter and tax authorities have started to ask for specific documentation.

Director's liability to tax

Directors are not necessarily subject to tax in Algeria. However, the managers acting on behalf of companies or the CEO (Directeur general) are deemed to have an activity in Algeria and therefore should be subject to tax.



Bahrain

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Regulatory/Legal

Setting up business

Bahrain welcomes and promotes investment in most business sectors without restriction. Certain business activities such as gambling, alcoholic drinks manufacturing, weapons manufacturing, narcotics manufacturing (among others), are prohibited due to their adverse economic, social or environmental impact. Foreign investment and 100% foreign ownership is also permitted in general, with a limited number of business activities that are reserved by law for Bahraini and/or GCC citizens and companies only, such as general trade and retail activities where 51% Bahrain participation is required.

Further, in Bahrain businesses can be established in the Bahrain Logistics Zone (BLZ) which is designed to offer local, regional and international companies a base to operate in a bonded area to take advantage of Bahrain's highly advantageous position to cater to the Northern Gulf market and to access GCC markets via various means of transportation.

Commonly used business entities

1. Company limited by liability

Foreign participation in a WLL is permitted, normally limited to a minority stake, with the majority stake being held by a Bahraini registered company or national. The minimum capital requirement is BD 20,000 and the maximum non-Bahraini participation allowed is 49%. The minimum number of shareholders required is 2 and the maximum 50. A WLL company may be a shareholder in another entity.

It is possible to incorporate a WLL which is wholly owned by foreigners; however, approval will be required from the Ministry of Industry & Commerce (MOIC) who will assess each application on a case by case basis, usually depending on the proposed activities of the new company.

2. Sole Proprietorship

A sole proprietorship must, ordinarily, have a fully paid-up share capital of not less than BD 50,000.

3. Joint Venture Company

A Joint Venture Company must, ordinarily, have a fully paid-up share capital of not less than BD 20,000.

4. Holding Company

A holding company must own more than 50% of the capital of its subsidiaries. In addition, a holding company must limit the scope of its activities to the following areas.

- The management of its subsidiaries or affiliates.
- Investment of its funds in share, bonds and securities.
- Owning the necessary properties, both movable and immovable, necessary to carry out its business.
- The provision of loans, guarantee and finance of its affiliates.
- Joint stock company (minimum paid up BD 1,000,000 for public and BD 2,500,000 for closed).
- Limited Liability Company (minimum paid up BD 20,000).
- Single Person Company (minimum paid up BD 50,000).

5. Branch Office

The establishment of a branch office is subject to the grant of approval by the MOIC. Although the MOIC may impose restriction or conditions at its discretion, the essential characteristics of a branch office are that:

- It may conduct the full range of normal business operation
- It may book and receive payments for its services; and
- It may engage in business activities directly with its client.

There is no capital requirement for branch offices but the parent company must provide security to ensure the fulfilment of the branch office's liabilities.

6. Representative Office

As with a branch office, with the approval of the MOIC, a foreign company may establish a representative office in Bahrain without having to enter into partnership with a Bahraini company or individual. The principal restriction on a representative office is that it may only represent the interests of its foreign parent and may promote and market the parent company's business. It may not transact business directly, either on its own behalf or on behalf of its foreign parent.

The above mentioned companies have to incorporate under the Bahrain commercial companies Law (21) of 2001.

The founder is a person who actually participates in the incorporation of a company for the purpose of shouldering the responsibility arising there from.

The founder shall submit an application along with the following information.

- i) A copy of the company's preliminary memorandum and articles of association duly signed.
- ii) Evidence regarding the name of the company if the same is derived from the name of natural person, any intellectual property rights or patent.

- iii) Evidence if the company takes another company's name, that the other company is under dissolution and that it agrees to assign its name to the company.

A certified copy, if there is a corporate person among the founders, of the founding document of the said person and evidence that the competent authorities approve its participation in incorporating the company.

Currency/monetary restrictions

There are no exchange control restrictions on repatriation of profits by way of dividends and other payments.

Regulatory requirements for Financial Services

Governed by Central Bank of Bahrain.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Companies are required to prepare the accounts in accordance with International Accounting Standards.

Audit requirements

All public and closed joint stock companies, limited liability companies and exempt companies are required to have an annual audit. The auditors, appointed at the annual shareholders' meeting, must be registered with the Ministry of Commerce.

Book year/accounting currency

The company shall have a financial year that starts on the first of January and ends on the 31st of December of each year, unless otherwise provided for in the company's articles of association. The first financial year shall be an exception. It shall begin at the date of the final incorporation of the company and end with the end of the financial year.

Format

As per the International Accounting Standards.

Tax

Approval requirements

There is no specific approval required for tax purposes.

Advance tax rulings/
Advance pricing agreements (APA)

Generally, there are no advance pricing agreements.

Income tax compliance

Income tax is only levied on oil related activities at a tax rate of 46% and is payable on the net profit of each accounting period which should normally follow the Gregorian calendar year and is governed by Amiri Decree 22 of 1979.

More specifically tax is payable by any company, regardless of its place of incorporation, which undertakes exploring for, producing, or refining oil in Bahrain.

Indirect tax compliance

Not applicable.

Other tax compliance

The subscription for insurance against unemployment is required to be made, as per the circular of General Organization for Social Insurance (GOSI), in the following manner:

- 1% of the monthly salary to be paid by the employee
- 1% of the monthly salary to be paid by the employer
- 1% of the monthly salary to be paid by the Government.

Further, GOSI shall issue the subscription bill in the following manner for Bahrainis;

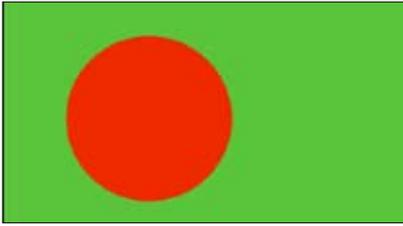
- 7% of the monthly salary being the share of insured person
- 12 % of the monthly salary being the share of the employer.

GOSI shall issue the subscription bill in the following manner for foreigners;

- 1% of the monthly salary being the share of insured person
- 3 % of the monthly salary being the share of the employer.

Director's liability to tax

There is no mention in the law that directors would be responsible for the tax liability.



Bangladesh

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Regulatory/Legal

Setting up business

- Bangladesh has removed significantly the restrictions and approval procedures in order to attract investment in the private sector. Foreign investors may own 100 percent of the capital or may set up joint venture entities. There are no restrictions on remittance of dividends or repatriation of capital. There are also no laws regulating debt-equity ratios except foreign borrowings.
- Trained local manpower is available at low costs, and there are no restrictions on the engagement of expatriate employees subject to meeting some conditions. Industrial policy ensures equal treatment for local and foreign investment.
- The Foreign Private Investment (Promotion & Protection Act) ensures legal protection to foreign investment in Bangladesh against nationalization and expropriation.
- Bangladesh has paved roads connecting all the towns and cities. It has two sea ports and the country is connected by road, railways and airways.
- GDP growth rates in the past several years have exceeded 5.5% and in 2009-2010, it is likely to exceed 6%.

Commonly used business entities

The main forms of doing business (apart from individuals carrying on business as a proprietorship) are as a:

- Locally Incorporated Company;
- Branch Office;
- Liaison Office; and
- Partnership.

Main legal formalities for the formation of a company or registration of a branch/ liaison office or partnership

Locally Incorporated Company

- There are various types of companies and now all of the companies are created by registration under the Companies Act, 1994. The most common types of company are Public Limited Company and Private Limited Company.

- **Public Limited Company**

The number of members of a Public Limited Company is minimum 7 and the maximum number is limited by share according to share capital described in memorandum of association. The liability of a member is limited by his/her share capital.

The special significance of a Public Limited Company is that such a company is permitted to offer shares and securities to the public. The shares of this company can be transferred without any restriction.

- **Private Limited Company**

The number of members of a Private Limited Company is limited and this limit is minimum 2 and maximum 50. It cannot invite the public to subscribe for its shares or debentures. The liability of the members is limited by their share capital.

- Private and Public Limited Company can carry out any legally permissible business in any locations of Bangladesh if it is permitted by its Memorandum of Association and Article of Association.
- Normally, it takes almost 2-4 weeks to incorporate a company under The Companies Act 1994 from Registrar of Joint Stock Company and firms (RJSC).
- A Company has to comply with the regulations of The Companies Act 1994. Key compliances may include submission of the annual return, submission of annual audited accounts etc. A company has to submit its annual tax return along with its audited accounts to the income tax authority.

Branch Office (BO)/ Liaison Office (LO):

- Permission from Board of Investment (BOI) has to be obtained to open BO/LO in Bangladesh. BO/LO has to comply with the requirements mentioned in BOI permission letter. Other major compliances may include submission of quarterly statements of accounts for inward remittances from head office and expenses there-from to BOI, its Authorised Dealer (normally its Banker) and Income Tax Authority. Normally audited accounts of BO/ LO are required for its submission to income tax authority.
- Operations and locations of BO/ LO are limited to as stated in BOI permission letter. For any new locations/customers and operations a new application will have to be submitted to BOI. However, broader locations and operations could be requested at the time of obtaining BOI permission.
- Permission of BO/LO is normally limited to 2-3 years which is renewable upon expiry. Normally, it takes almost 5-6 weeks to get permission from BOI.

Partnership

- A general partnership may be formed with local individual or other registered entities; and the partners are jointly and severally liable for partnership debts to the full extent of their assets.
- It is governed by the Partnership Act, 1932. Its formation is easier than a company. It has no legal entity and registration is not mandatory. There is an agreemental relationship among the partners.
- The minimum number of partners is two and the maximum number is 20 in ordinary cases and 10 in case of banking business. Its member's liability is unlimited.
- Its profit is distributed according to profit sharing ratio.

Currency/monetary restrictions

There are no restrictions on inward remittances; however in certain circumstances outward remittances require prior permission from Bangladesh Bank and also from BOI.

Regulatory requirements for Financial Services

- Banks, financial institutions are all regulated by the Central Bank of Bangladesh (“Bangladesh Bank”) and the Bank Company Act 1991.
- Insurance companies are regulated by Insurance Development and Control Authority under the Insurance Act 2010.

Accounting/Finance for companies and branches of foreign companies

Financial statements

- Financial statements of companies are required to be prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) which are the adopted versions of IFRS.
- Audited financial statements are required to be filed along with the return of income to the tax authorities in addition to their mandatory filing to the Registrar of Joint Stocks Company (RJSC).

Audit requirements

- Financial statements must be audited annually by an independent auditor recognised by the Institute of Chartered Accountants of Bangladesh.

Requirements for foreign investors

- Foreign and local investors are treated substantially the same under the law.

Book year/accounting currency

- The Bangladesh government follows the calendar year. However, companies can choose their accounting year to end in any month and are not required to compulsorily follow the calendar year. The financial year of a company may not be extended to a period exceeding 12 months.

Format

- The functional currency in Bangladesh is Taka.
- Companies are required to prepare their financial statements according to BFRS and provide disclosures required therein and/or by the Companies Act 1994.

Tax

Approval requirements

- An entity does not require approval from National Board of Revenue (NBR).
- Every company is required to obtain a Tax Identification Number (TIN) and register with the VAT authorities (where applicable).

Income tax rates

Individual and partnership

Total income	Tax rate
First BDT 165,000	* Nil
Next BDT 275,000	10%
Next BDT 325,000	15%
Next BDT 375,000	20%
On the balance	25%

Initial exemption limit for women taxpayers, taxpayers having age of 65 years or more is BDT 180,000 and for retarded taxpayers BDT 200,000.

Currency/monetary restrictions

- Non-residents other than Bangladeshi non-residents shall pay tax on the total income at the maximum rate of 25 percent.
- *Minimum tax payable has been fixed at BDT 2,000.

Company

- 27.5% for publicly traded companies i.e. companies listed with any stock exchanges in Bangladesh other than banks, insurance and other financial institutions. However 37.5% will be applicable if a dividend at 20% is not declared and paid in the assessment year.
- 37.5% for non-listed companies including branch offices other than banks, insurance and other financial institutions.
- 42.5% for banks, insurance and other financial institutions.
- 45% for Mobile phone operator companies.
- 35% for mobile phone operator companies that converted itself into a publicly traded company by transfer of at least 10% shares through stock exchanges, of which maximum 5% may be through Pre-Initial Public Offering Placement.
- A reduced rate of 15% is applicable for textile companies, research institutes and certain educational institutes.
- Industries in Export Processing Zone (EPZ) and power generating companies enjoy a tax exemption period for 10 years and 15 years respectively in addition to certain other incentives.

Capital gain tax

Capital gains tax on sale of shares of listed companies

Capital gain from transfer of stocks and shares of public limited companies listed with stock exchange (w.e.f 1 July 2010):

- For companies and firm – 10%
- For banks, financial institutions, merchant bank, insurance, leasing company, portfolio management company, sponsor shareholders or directors of stock dealer or stock broker company – 5%
- For other shareholders holding 10% or more at any time during the year except sponsor shareholder – 5%.

Capital gains tax other than sale of shares of listed companies

- In the case of a company, income from capital gains will be separated from total income and tax @ 15% is payable on such capital gains regardless of the period of holding of the asset from the date of its acquisition.
- In the case of an assessee other than a company, if the asset is transferred before the expiry of five years from the date of acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains. If the asset is transferred at any time after expiry of five years from the date of its acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains or at the rate of 15% on the amount of capital gains whichever of the two is lower.

Advance tax

- Companies and self-employed individuals are required to pay advance tax based on 100 percent of their last assessed income or 75 percent of their estimated income. The 75 % rate is only applicable to new tax payers or where the estimated tax is less than the last assessed tax.
- Advance tax is payable in quarterly installments beginning on September 15 of the income year; the balance of/outstanding tax, if any, is payable before filing the tax return.

Income tax compliance

- In general, residents within the meaning of the Income Tax Ordinance 1984 are taxed on their worldwide income.
- Individuals who have taxable income (i.e. income above BDT 165,000) are required to file tax returns. Returns must be filed by September 30 (which is extendable by 3 to 6 months) for the income year ending previous June 30.
- Companies have to file their tax returns within six months from the end of the accounting period /year or following July 15, whichever is later. The filing date may be extended by the tax authorities upon application.
- The return of a company/branch office/liaison office has to be accompanied with audited statement of accounts, computation of total income along with supporting schedules.
- Companies are assessed on their income earned from operations carried out in Bangladesh only.
- An individual or a company who feels aggrieved may file an appeal against the order of Deputy Commissioner of Taxes to the Joint Commissioner/Commissioner of Taxes (Appeal) and against the order of the Joint Commissioner/Commissioner of Taxes (Appeal) to the Taxes Appellate Tribunal. An assessee can file appeal against the order of the Taxes Appellate Tribunal only in the area of law to the Supreme Court – High Court Division and then to the Appellate Division.

Indirect tax compliance

Value Added Tax (VAT)

- Standard rate of VAT is 15%. Where this standard rate is applicable a withholding VAT of 3% is deducted at source by the buyer at the time of making payments.
- There are certain categories of goods and services which are exempt from VAT.
- For most of the services and for some imported goods there are reduced rates of VAT which is commonly known as the truncated system of VAT. Under this system VAT is deducted by the buyer at the time of making payments and the seller/service provider is not allowed to take any input VAT credit.
- VAT on export industries is zero rated.
- No VAT is levied on agricultural products and livestock.

Turnover Tax

- Organizations whose annual turnover is less than BDT six million may pay turnover tax at four percent instead of VAT.

Customs Duty

- Customs duty is levied on goods entering Bangladesh. The rates vary depending on the type of goods imported. No customs duty is levied on plant and machinery imported by an export oriented industry. Exemptions are also available for import of capital machinery in other sectors.
- Duty rates vary from five percent to 25 percent, with the exception of cigarettes, alcohol and firearms, which are subject to higher duties.

Supplementary Duty/Tax

- This is imposed on luxury goods imported into Bangladesh, non essential and socially undesirable goods (such as cigarettes, alcohol, etc.) produced and supplied in Bangladesh and on services provided by top class hotels.
- The rates vary from 10 percent to 500 percent.

Excise Duty

- There is excise duty for banking companies and air lines in Bangladesh.

Stamp Duty

- Stamp duty is levied on legal documents, but the rates vary depending on the nature of documents.
- For the transfer of shares of unlisted companies, stamp duty is imposed at the rate of 1.5% on the transfer price.
- The duty on transfer of immovable property is 3%.
- For all other documents, the stamp duty varies from BDT 5 to BDT 10,000.

Property Taxes

- This is collected by the land revenue office and the rates vary depending on location. However the tax is not significant.

Payroll Tax

- The employer has to withhold tax at the time of payment of salary applying the rates appropriate to individuals' salaries.
- The applicable rates are those for individual as mentioned above. For a non-resident individual the maximum rate of 25% will be applicable.

Gift Tax

Gift tax shall not be charged amongst others in respect of gifts made by any person:

- Of property situated outside Bangladesh
- To the Government or any local authority
- To certain charitable institutions
- To a dependent relative up to BDT 20,000 on the occasion of his marriage
- Under a will
- Under contemplation of death

- To sons, daughters, father, mother, his or her spouse, own brothers and sisters.

In addition to the above exemption, gifts made in any financial year up to value of BDT 20,000 are exempt from gift tax.

Withholding Tax and VAT

- Bangladesh has a withholding tax regime.
- All companies including private companies, branch companies, liaison offices, banks and other financial institutions etc. are required to collect/withhold tax and VAT (if applicable) at appropriate rates at the time of payments to suppliers/service providers.
- The withholding tax and VAT so deducted have to be deposited to the government exchequer within the stipulated time (The stipulated time is within seven days for VAT and within 21 days for tax).
- Although there are no specific transfer pricing regulations in the tax Law, the practice of the tax authorities is well established.
- The tax authorities focus closely on transactions with related parties to determine whether such transactions are at arms' length.
- They also seek to ascertain whether structures have been adopted solely with a view to avoid or reduce taxes in Bangladesh.

Transactions with related parties

Principal Officer

- The Principal Officer of a Bangladeshi Company should be the person responsible for discharging the obligations imposed on the company in accordance with the Law.
- As there are stringent penalties and punishments that could be imposed on the Principal Officer for non-compliance, the role and responsibilities of the Principal Officer is therefore of utmost importance and should be executed in a diligent matter.

Indirect tax compliance

- Directors are subject to income tax as employees on any defined compensation paid to them.
- Where any private limited company is wound up and any tax assessed on the company, whether before, or in the course of, or after its liquidation, in respect of any income of any income year cannot be recovered, every person who was, at any time during the relevant income year, a director of that company, shall, notwithstanding anything contained in the Companies Act, be jointly and severally liable to pay the said tax and shall, for the purposes of recovery thereof, be deemed to be an assessee in respect of such tax ; and the provisions of the Income Tax Ordinance – 1984 shall apply accordingly.
- The liability of any person there under in respect of the income of a private limited company shall cease if he proves to the Deputy Commissioner of Taxes that non-recovery of tax from the company cannot be attributed to any gross neglect, misfeasance or breach of any duty on his part in relation to affairs of the company.



Egypt

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Regulatory/Legal

Setting up business

Generally, there are no restrictions on setting up a business in Egypt. However, some businesses do require a license or permit to operate, for example banks, securities and insurance firms, foreign investment in Sinai, and companies established under the investment law.

Commonly used business entities

The Companies Law 159 of 1981 is the general law which regulates joint stock companies, limited partnerships by shares, limited liability companies, branches of foreign companies and representation (or scientific or liaison) offices of foreign companies in Egypt.

The main characteristics for each form of entity are detailed below:

Egyptian Joint Stock Company has similar features to that of a standard company anywhere else in the world. The salient features of the Egyptian Joint Stock Company are as follows:

- There should not be less than three founders (who could all be foreigners) nor less than three and shareholders at any time.
- The minimum issued share capital of a closed or private joint stock company is LE 250,000 and that of a company which offers its shares (or part thereof) to the public is LE 1,000,000.
- A foreign shareholder can sell his shares on the Egyptian Stock Exchange and can repatriate the proceeds of the sale abroad without any restrictions, as well as the dividends.
- A Joint Stock Company is managed by a board of directors composed of no less than three. The board of directors is formed by a decision issued by the general meeting of the shareholders. The directors can be selected from the company shareholders or from outsiders. All the directors, including the chairman, can be of foreign nationalities.
- The employees are entitled to receive as profit-sharing 10% of the profits available to distribution, but with a maximum of 100% of their annual salaries.

Limited Liability Company is a closed company where the liability of each of its shareholders (called partners) is limited to the value of their shares (called quotas). The number of partners of a limited liability company should not be less than two partners. The shares or quotas of the limited liability company cannot be traded in the Stock Exchange. Other key features are as follows:

- Limited liability companies cannot borrow through a public offering. Also such companies cannot engage in banking, securities or insurance activities, nor receive deposits from others, or invest funds for the account of others.
- Although the quotas cannot be traded in the Stock Exchange, any partner can sell their quotas to others after offering them to the other partners and they decline to buy them.
- Foreigners can own 100% of the equity capital of a limited liability company.
- A Limited Liability Company is run by a manager or managers of whom at least one should be of Egyptian nationality. The manager(s) is appointed in the company's Incorporation Contract as approved by the partners and has the same legal status as that of the chairman and the managing director in a joint stock company.
- A limited liability company which has a share capital equal to or exceeding the minimum share capital of a closed joint stock company (i.e. LE 250 000) has to allocate at least 10% of the profits available to distribution to its employees as profit-sharing, provided that these profits should not exceed 100% of their annual salaries.

Foreign branches at present are allowed to be opened in Egypt to carry out construction works or generally works of a contractual nature, manage hotels and manage mutual funds. The key features are as follows:

- The minimum capital requirement for a foreign branch is LE 5000 to be paid in one of the foreign convertible currencies. For branches which are established to manage hotels the minimum capital requirements is LE 30 000.
- The manager of the foreign branch can be of a foreign nationality.
- At least 10% of the net profit of the branch should be allocated to employees as profit-sharing, but the amount of profit-sharing should not exceed 100% of the annual salaries of the employees.

The net profit of the foreign branch (according to its audited financial statements) can be repatriated abroad if the branch has sufficient foreign currency to do so. This also applies to the capital of the foreign branch. Foreign currency can be purchased from accredited banks in Egypt, or foreign exchange companies at the ruling rates of exchange

Main legal formalities for the formation of a company or registration of a branch

Branch

The Board of Directors resolution of the parent company indicating the approval for registering the company's branch in Egypt.

A bank certificate stating that the branch has a foreign currency balance transferred from abroad equals L.E. 5000 as a minimum.

A copy of the contract concluded between the parent company and the Egyptian company, Egyptian Government or a public sector company.

Company

- A bank certificate stating that 25% (at least) of the Company's issued capital is deposited at an Egyptian certified bank in a blocked account, to be released after the registering the company in the Commercial Registry.
- The security investigation report of each foreign shareholder and/or board member.
- In case the founder of the company is a foreign corporate body, it should present the following documents:
 - The articles of association and all amendments thereto
 - The Commercial Registration Certificate
 - A board resolution approving its participation in the establishment of the company in Egypt and appointment of its representatives in the new company.

Currency/monetary restrictions

Egypt has no foreign exchange restrictions, except for the proceeds from selling real estate which should be repatriated over a period of 3 years.

Regulatory requirements for Financial Services

Banks are regulated by the Central Bank of Egypt (CBE), while companies whose business is related to securities (holding companies, portfolio management companies etc) are supervised by the Egyptian Capital Market Authority.

Accounting/Finance for companies and Algerian branches of foreign companies

Financial statements

Companies are required to prepare annual financial statements according to the Egyptian accounting standards which are broadly in line with IFRS.

Audit requirements

Financial statements should be audited by a certified accountant. However banks and mutual funds should have 2 independent auditors to co- audit their financial statements.

Requirements for foreign investors

Foreign founders, board members and directors are subject to security investigation and the General Authority for Investment should receive security clearance for them. They are entitled to reside in Egypt for business after obtaining work and residence permits.

Book year/accounting currency

The accounting year end does not need to coincide with the calendar year and financial statements can be prepared in the company's functional currency.

Format

Financial statements are based on local GAAP, which largely conforms to IFRS principles.

Tax

Approval requirements

Taxpayers are required to register with the General Tax Authority before they commence their work in Egypt.

Advance tax rulings/
Advance pricing agreements (APA)

Tax payers can obtain advance tax rulings, for which the normal response time by tax authorities is generally 2 months although it can take longer in some cases.

Income tax compliance

Egypt has adopted the self assessment system whereby companies must file their annual tax returns, together with all supporting schedules, before 1 May each year or four months from the financial year end. The tax return should be signed by the taxpayer and an independent tax accountant.

The net profit of the partnership, company, or foreign branch is subject to corporate tax at a rate of 20%, while oil and gas exploration and production companies are subject to tax on their profits at a rate of 40.55%.

Indirect tax compliance

Manufactured goods, operating or processing for the account of others, and some tourist services are subject to sales tax. Sales tax is mainly imposed on manufactured goods (whether imported or locally produced) and is similar in its application to value added tax. The standard rate of sales tax is 10% but some goods are exempt from the tax and some other goods attract lower or higher tax rates. Sales tax imposed on imported goods is collected by the customs authority for the account of the sales tax department. However, the system of deducting the sales tax on inputs from the sales tax on outputs does not apply in the case of taxable services, and therefore the producer has to remit the sales tax on his sales in full to the Sales Tax department and consider the sales tax on his inputs from services as a cost.

Other tax compliance

An employee's income is subject to Salary Tax (income will include salary, bonuses, overtime, and other related benefits paid onshore or offshore) less some specific exemptions (mainly social insurance contributions and collective benefits in-kind). Salary Tax rates are 10%, 15% and 20% for taxable income over LE 40,000 (about US\$ 7,150).

The employer is required to compute employees' salary tax on a monthly basis, withhold tax at source and then remit this to the Tax Authority within the first 15 days of the month following the month of salary payment. In case there is a non-resident employer the employee himself is obliged to submit an annual salary tax return.

Non-resident employees are subject to salary tax at a 10% flat rate computed over gross remuneration.

Withholding tax of 20% is imposed on royalties, interests, and fees paid to non-resident companies for all offshore services performed by them to Egyptian companies and permanent establishments. However, this withholding tax does not apply to payments related to some activities (e.g., training) and in cases where the recipient is a resident of a country which has a tax treaty with Egypt (in which case the double tax treaty overrides the domestic tax law).

Dividends distributed by Egyptian companies are not subject to withholding tax. However, dividends received by resident companies from foreign sources are taxed in Egypt.

Transfer Pricing and PE concepts have been introduced in the new tax law similar to the OECD model, at end of November 2010 the Egyptian Tax Authority has introduced the first part of the Transfer Pricing guide lines such guide lines are available in our website at the following address:

<http://www.kpmg.com/EG/en/IssuesAndInsights/Pages/TransferPricingGuidelines.aspx>

Income tax compliance

Stamp Tax is imposed on many transactions, for instance, annual 0.4% on bank facilities balances, 15% on advertising costs and 2.4% on government payments.

With respect to real estate tax, a new law was issued in 2009 to be applied from the year 2010. Under this law all buildings and rented non agricultural lands are subject to this tax. Tax is imposed on the estimated annual rental value of the buildings or lands at a rate of 10% and such estimated rental value is assessed every 5 years. The tax is borne by the owner of the building or the land.

Director's liability to tax

Chairman, board of directors and the managers of corporations are subject to salary tax for their administrative work's payments. However any other payments which are not related to the administrative work are not subject to any tax in Egypt and such payments are not considered as a tax legitimate expense for the corporation's corporate income tax.



Iraq

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Regulatory/Legal

Setting up business

All foreign companies need to be registered with Ministry of Trade, companies' registrar.

Commonly used business entities

A new entity should be registered with the Companies' Registrar. Approval for registration usually takes six to 10 weeks from date of submission of all required documents. Common forms of business entities in Iraq are:

- An LLC Company wholly owned by a foreigner
- A branch of a company incorporated outside Iraq
- A representative office.

Main legal formalities for the formation of a company or registration of a branch

Company

The name of the company must first be cleared with the registrar and it should be an Arabic name. A set of the memorandum and articles of association for the company has to be lodged with registrar together with the prescribed information for incorporation and the prescribed fees for registration.

Branch

An Operating Foreign Company (Branch) means a company or an entity which is registered outside Iraq, whose headquarters are in another country and whose nationality is considered non-Iraqi. In terms of its nature it can be:

- Companies operating for a limited period, which are awarded tenders in order for them to realize their work in Iraq for a limited period. The registration thereof shall cease upon the completion of such work unless the company obtains new contracts, in which case its registration shall extend to cover the execution of such work. Its registration shall be cancelled after completion of all its work in Iraq and after its rights and obligations are settled.

Currency/monetary restrictions

Iraq does not restrict the flow of Iraqi or foreign currency in or out of the country.

Regulatory requirements for Financial Services

The Central Bank of Iraq regulates banks' activities, the Insurance Regulation Commission regulates the activities of Insurance companies and Iraq Securities Commission regulates the Stock Exchange.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Annual financial statements must be prepared and lodged with the Registrar and should be prepared in accordance with the Unified accounting System, Iraqi GAAP.

Audit requirements

Under companies' law financial statements must be audited annually. Auditors are appointed/ re-appointed in the Annual General Meeting (AGM) of a company. Only an Iraqi CPA can certify and sign the audited financial statements.

Requirements for foreign investors

Please refer to earlier comments on setting up business.

Book year/accounting currency

The accounting year end does not need to coincide with the calendar year. Financial statements can be prepared in the company's functional currency, for statutory purposes the financial statements need to be translated into Arabic and should be in Iraqi Dinar.

Format

Financial Statements need to be presented according to the Unified Accounting System adopted in Iraq.

Tax

Approval requirements

A business does not require approval from the Iraqi Tax Department to commence its operations. However, taxpayers should obtain a tax file in order to start remitting payroll tax deducted and import goods if any.

Advance tax rulings/ Advance pricing agreements (APA)

It is generally possible to obtain advance tax rulings subject to the prevailing agreements, policies and guidelines; these can take up to 6 to 8 weeks or more to process. In most cases these rulings are considered not binding by the tax inspector, although they can serve as a guideline.

There is no provision for advance pricing agreements.

Income tax compliance

The tax year is the calendar year. However, the income tax department will approve, on a case by case basis, requests seeking to change the tax year-end.

The annual taxable profit (or loss) is calculated by making certain adjustments to the accounting profit (or loss) for the year, as required by the tax legislation and after taking account of any utilizable losses brought forward.

Income tax returns should be filed within five months after the end of the taxpayer's financial year.

A new oil & Gas law is to be introduced. We are still awaiting further clarification as to the nature of activities to be included under this law.

Indirect tax compliance

There is no VAT or general sales tax except for specified restaurants and hotels.

Other tax compliance

Every person upon paying income to a non-resident should deduct 15% in the form of withholding tax.

Salaries and wages are subject to payroll tax and social security contributions.

Director's liability to tax

A director of a company is subject to income tax in Iraq for the remuneration received in the capacity of director of an Iraq company. Where the remuneration is paid/ payable to a non-resident director, withholding tax provisions may apply.



Jordan

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Regulatory/Legal

Setting up business

All foreign investments are approved and monitored through appropriate government bodies and principally controlled by the Jordan Investment Board (JIB); in some sectors such as banking and exploitation of natural resources, these are controlled through the relevant government ministries. There are certain business sectors that are closed or may be restricted to investment by foreigners.

Commonly used business entities

A new entity should be registered with the Ministry of Industry and Trade (MIT). Approval for registration usually takes ten working days upon submission of all required documents. Common forms of business entities in Jordan are:

- A company incorporated in Jordan
- A branch of a company incorporated outside Jordan.

A Private Limited Liability Company is a popular form of entity. General and limited partnerships are also permitted.

Representative offices of foreign companies are also permitted.

Main legal formalities for the formation of a company or registration of a branch

Company

The name of the company must first be cleared with the Ministry of Industry and Trade (MIT). A set of the memorandum and articles of association for the company has to be lodged with MIT together with the prescribed information for incorporation and the prescribed fees for registration.

The most popular form of company is a private limited company (whereby the liability of shareholders is limited to the extent of their shareholding).

A private limited company is required to be incorporated with a minimum paid-up capital of Jordanian Dinar (JOD) 50,000. Foreign investors must have a Jordanian partner and the foreign investment should not exceed 50% of the share capital.

If the foreign investor seeks to own more than 50% or 100% of the investment a special approval is required from the Cabinet and the capital will be as approved by the Cabinet.

Branch

An Operating Foreign Company (Branch) means a company or an entity which is registered outside the Kingdom, whose headquarters are in another country and whose nationality is considered non-Jordanian. In terms of its nature it can be divided into two types:

- Companies operating for a limited period, which are awarded tenders in order for them to realize their work in Jordan for a limited period. The registration thereof shall cease upon the completion of such work unless the company obtains new contracts, in which case its registration shall extend to cover the execution of such work. Its registration shall be cancelled after completion of all its work in Jordan and after its rights and obligations are settled
- Companies operating permanently in the Kingdom under license by the competent official authorities.

Currency/monetary restrictions

Jordan does not restrict the flow of Jordanian or foreign currency in or out of the country.

Regulatory requirements for Financial Services

The Central Bank of Jordan regulates banks activities, the Insurance Regulation Commission regulates the activities of Insurance companies and Jordan Securities Commission regulates the Amman Stock Exchange.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Annual financial statements must be prepared and lodged with the Registrar and should be prepared in accordance with the International Financial Reporting Standards.

Audit requirements

Under Jordan company law financial statements must be audited annually. Auditors are appointed/ re-appointed in the Annual General Meeting (AGM) of a company.

Requirements for foreign investors

Please refer to earlier comments on setting up business.

Book year/accounting currency

The accounting year end does not need to coincide with the calendar year. Financial statements can be prepared in the company's functional currency, which may be a currency other than JOD.

Format

There are certain formats used by banks according to the Central Bank of Jordan regulations, similarly, insurance companies have specific formats according to regulations issued by the Insurance Commission.

Tax

Approval requirements

A business does not require approval from the Jordanian Tax Department to commence its operations. However, taxpayers should obtain a tax registration in order to be able to start remitting payroll tax deducted and to import goods through Customs.

Advance tax rulings/ Advance pricing agreements (APA)

It is generally possible to obtain advance tax rulings subject to the prevailing agreements, policies and guidelines; these can take up to 6 to 8 weeks or more to process. In most cases these rulings are considered not binding by the tax inspector, although they can serve as a guideline.

There is no provision for advance pricing agreements.

Income tax compliance

The tax year is the calendar year. However, the income tax department will approve, on a case by case basis, requests seeking to change the tax year-end.

The annual taxable profit (or loss) is calculated by making certain adjustments to the accounting profit (or loss) for the year, as required by the tax legislation and after taking account of any utilizable losses brought forward.

Income tax returns should be filed within four months after the end of the taxpayer's financial year.

Indirect tax compliance

Most goods and services supplied for domestic consumption, by a General Sales Tax (GST) registered person, and goods imported into Jordan would be liable to GST at the prevailing standard rate (currently 4 and 16 percent). Exemptions for GST apply to suppliers of financial services and letting of residential properties. A zero rate of GST applies to the supply of exported goods and certain services.

A registered taxpayer will be required to file a GST return every two months and every one month if he is subject to a private tax imposed on certain goods and services. Private taxes are imposed on special categories of goods and services as stated in the Sales Tax Law. This rate of tax varies from 4% to 12%.

The GST system is similar to the VAT system in terms of crediting the input GST against the due GST.

Other tax compliance

Every person upon paying un-exempted income to a non-resident should deduct 7% in the form of withholding tax. In addition, the payer is liable to 16% GST on these amounts if it is a taxable transaction.

Stamps duties are charged on all agreements and contracts if presented in Jordan to any local authority or court.

Salaries and wages are subject to payroll tax and social security contributions.

Director's liability to tax

A director of a company is subject to income tax in Jordan for the remuneration received in the capacity of director of a Jordan company. Where the remuneration is paid/ payable to a non-resident director, withholding tax provisions may apply.



Kuwait

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Regulatory/Legal

Setting up business

Generally foreign ownership in the State of Kuwait is restricted to a maximum of 49%. However, Foreign Direct Investment Law No. 8 of 2001 (FDIL) allows 100% ownership in certain industries such as infrastructure projects, banks, investment, information technology and software development and road and sea transport with the approval of the Foreign Capital Investment Committee.

Commonly used business entities

Foreign companies have the option to carry on business in any of the following forms:

- Under the sponsorship of a registered Kuwaiti agent or sponsor;
- Through a joint venture;
- By establishing a Kuwaiti Shareholding Company i.e.:
 - Limited Liability Company (W.L.L.);
 - Closed Joint Stock Company; or
 - Public Joint Stock Company;
- Under the Foreign Direct Investment Law No. 8 of 2001.

A foreign company that intends to carry on business activity but does not wish to incorporate a company may carry on business under the sponsorship of a registered Kuwaiti agent or sponsor.

Main legal formalities for the formation of a company or registration of a branch

Shareholding companies incorporated in Kuwait are regulated by Commercial Company Law of 1960 which put various restrictions on the minimum amount of share capital, number of shareholders and business sectors available to different kinds of companies formed under the law.

registration of a branch

A joint venture has no separate legal existence under Commercial Companies Law and joint venture associations can be formed only by natural persons. Therefore foreign entities interested in setting up joint venture associations will have to nominate an individual to act on behalf of the foreign entity. Please note that the agency agreement should be registered with the Ministry of Commerce and Industry (MOCI).

Currency/monetary restrictions	There are no foreign currency restrictions in Kuwait.
Regulatory requirements for Financial Services	Financial services companies are generally governed, licensed and regulated by the Central Bank of Kuwait; these companies need be either Closed Joint Stock or Public Joint Stock in nature.
Accounting/Finance for companies and Kuwait branches of foreign companies	
Financial statements	Annual financial statements must be prepared under International Financial Reporting Standards (IFRS) for all companies. However for Foreign Branches, they have the option in respect of tax to either file accounts prepared based on IFRS or a Audited Statement of Income & Balance Sheet prepared for Tax purpose only.
Audit requirements	Foreign companies who are filing tax declarations on an 'accounts basis' are required to submit either a Financial Statements prepared under IFRS or a Tax Audited Statement of Income & Balance Sheet, as applicable, along with the tax declaration.
Requirements for foreign investors	A foreign investor is required to apply to the Ministry of Commerce & Industry for a license to commence business. In addition a foreign company is also required to register with Kuwait Tax Authority (KTA) within 30 days of starting the activity or signing the contract. In addition a foreign company is also required to register with Kuwait Tax Authority (KTA) within 30 days of starting the activity or signing the contract.
Book year/accounting currency	The choice of accounting year depends on the entity; the KTA does not set the accounting year for entities. A tax payer may select any accounting year with the approval of KTA. Furthermore, the first accounting period can be a minimal limit of seven months or extended up to eighteen months with prior approval of KTA. An entity may keep its books of accounts in any currency. In practice, net taxable profit is calculated in the same currency as that of the books of accounts and using the average declared by Central Bank of Kuwait (CBK), it is then converted to Kuwaiti Dinars for determination of the tax liability.
Format	Generally Financial Statements for companies are prepared in accordance with IFRS. However, foreign branches have the option in respect of tax to either file accounts prepared based on IFRS or an Audited Statement of Income & Balance Sheet prepared for Tax purpose only.
Tax	
Approval requirements	Approval is not required from KTA for setting up a business. However, an application for registration with KTA should be submitted within thirty days from the date of starting the activity or signing the contract.

Advance tax rulings/ Advance pricing agreements (APA)

It is not generally possible to obtain advanced tax rulings in line with the practices of the KTA.

Income tax compliance

Income tax compliance is governed by Amiri Decree No. 3 of 1955 and the new Tax Law No.2 of 2008 along with its Executive Bylaws and circulars.

The Decree is applicable only to foreign entities carrying on trade or business in Kuwait and is not applicable to Kuwaiti entities or Gulf Cooperation Council Countries. Tax liability of foreign companies investing in Kuwait for the fiscal years commencing after 3 February 2008 shall be calculated under the new Tax Law at the flat rate of 15% on the net taxable income. This replaces a range of rates of 0% - 55% under the Decree.

The State of Kuwait has Double Taxation Treaties with a significant number of different countries. A detailed list can be found on www.mof.gov.kw.

There is no withholding tax in Kuwait. However, compliance with the Law is enforced by the Ministry of Finance through Ministerial Order No. 44 of 1985. Contract owners are required to retain 5% from the contractor and to release tax retention only on the provision of a Tax Clearance Certificate.

Gains derived by a foreign company on the disposal of assets and shares are taxable as normal business profits under the new Tax Law.

A cash dividend received by any foreign entity as a result of investment in Kuwait Stock Exchange (KSE) is subject to 15% tax. However, capital gains derived by a foreign company from mere trading in shares listed on KSE are exempt from tax.

According to current Tax Law in Kuwait, Investment Trustees and Funds Managers managing portfolios for their customers are required to deduct 15% tax on cash dividends referred to above.

In addition to the above, Income resulting from money lending is now taxable in Kuwait under the New Tax Law.

Please note that there is currently no income tax on individuals under the Decree or new Tax Law.

Indirect tax compliance

Sale tax/Value Added Tax and stamp duty is not levied in the State of Kuwait. Local shareholding companies are however required to pay Zakat and National Labor Support Tax (NLST).

Further, goods imported in to the State of Kuwait are liable to custom duty at a flat rate of 5% of the invoice/assessed value of the goods.

Other tax compliance

A tax payer is required to submit its tax declaration to KTA on or before the fifteenth day of the fourth month following the end of the taxable period of the incorporated body.

The incorporated body has a choice to pay the amount of income tax due either in one lump sum payment with the tax declaration or in four equal instalments. The instalments shall be due on or before the fifteenth day of the fourth, sixth, ninth and twelfth months following the end of taxable period.

In certain circumstances it is possible to obtain an extension of up to a maximum of 60 days for the purposes of filing the tax declaration. Where an extension for filing the tax declaration is granted, no tax payment is necessary until the declaration is filed. However, payment must then be made in one lump sum and not in installments.

The tax law requires that a tax declaration must be prepared on an 'accounts basis' however, in practice, tax declarations prepared on a deemed profit basis are also accepted.

Failure to file tax declaration or pay due amount in time, results in a fine amounting to 1% of the due tax for each month of delay.

Director's liability to tax

There is no specific liability on the director in the Kuwait tax law, however, according to the Kuwait tax law; any person responsible for misstatement on conviction may be liable to an imprisonment of 2 years or to a fine or both.



Lebanon

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Regulatory/Legal

Setting up business

Lebanon has traditionally been open to foreign direct investment. A foreigner establishing a business in Lebanon is subject to substantially the same regulations as are applicable to a Lebanese national, although special rules and regulations come into force in relation to acquisition of land and ownership of shares in banks.

Commonly used business entities

The main types of corporate entities are:

- Joint stock company (Société Anonyme Libanaise – SAL)
- Limited Liability Company (Société a Responsabilité Limitée – SARL)
- Holding and offshore companies
- Representative office of foreign companies.

Main legal formalities for the formation of a company

Joint Stock Company (Société Anonyme Libanaise)

A joint stock company may engage in all forms of legal business activity. It must have at least three members (who are its shareholders) and capital of LBP 30 million (US\$20,000) with at least 25% paid up. Shareholders are liable only up to the nominal value of their shares.

There are no restrictions on foreign participation in joint stock companies except for certain restricted sectors that have specific requirements on the percentage shareholding to be held by Lebanese nationals for example:

- Joint stock companies managing a public sector;
- Joint stock companies engaging in media, commercial representation, real estate and other specially regulated industries.

In all SAL companies, a majority of the board of directors must be Lebanese citizens.

Joint stock companies pay a 15% flat-rate corporate profit tax and 10% dividend tax.

Holding Companies

Holding companies are exempt from the requirement to have Lebanese citizens or corporations on its board of directors. In addition a non-Lebanese chairman of a holding company is exempt from requiring a work permit.

The principal purpose/objectives of a holding company are share ownership in SAL and SARL companies, managing companies in which it holds shares and lending to companies in which it holds 20% or more share capital.

Holding companies enjoy tax advantages in that they are exempt from tax on profits and distributions of dividends to shareholders are exempt from dividend distribution tax. Holding companies remain subject to other tax provisions including:

- A flat tax (that varies depending on the company's capital and reserves) capped at LBP5 million annually; and
- Are subject to a 5% tax on management fees collected from affiliated corporations provided that those fees do not exceed 2% of the total revenue of the subsidiary.

Offshore Companies

A Lebanese offshore company is defined by Legislative Decree 46 as a Lebanese joint stock company (SAL) that engages exclusively in:

- Negotiation and conclusion of agreements concerning goods and products located outside the Lebanese territory or in the Lebanese Free Zone;
- Offering studies and consultations for the benefit of foreign institutions;
- Using free zone facilities in order to stock imported goods for re-exportation;
- Buying or renting real estate in Lebanon to the extent they are necessary for the operation of the off shore company.

The decree no 19 dated 5 September 2008 amended the offshore companies' regulations and thus, enlarged the scope of offshore companies' activities mainly to include in addition to the above.

- The administration of companies and institutions outside Lebanon including the export of services, software of any kind to these institutions.
- Doing activities related to maritime shipping.
- Acquiring of shares of stocks in foreign corporations, companies or institutions.
- Opening of branches and representative offices abroad.
- The minimum capital requirement is the same as for joint stock companies although it can be denominated in a foreign currency.
- Offshore companies follow the same regulations as holding companies regarding the appointment of directors.
- Offshore companies enjoy certain tax advantages and are subject to a flat yearly tax of LBP 1 million.

Representative Office

Foreign companies undertaking marketing and promotional activities may register a representative office. Representative offices must register with the Ministry of Finance and are not subject to corporate tax as long as they do not trade in Lebanon. However representative offices are required to submit an annual declaration form to the Ministry of Finance according to instructions number 4068 dated 23 December 2011.

Currency/monetary restrictions

Lebanon has liberal codes for capital and money market transactions with no restrictions on either inflows or outflows. The country has an open foreign exchange market, full currency convertibility, and unrestricted repatriation of capital.

Regulatory requirements for Financial Services

Banks and financial institutions are closely monitored by the Central Bank of Lebanon and Banking Control Commission (BCC) in addition to their compliance with the Ministry of Finance. These two bodies issue circulars and instructions to banks and financial institutions such as liquidity requirements, money laundering requirements, solvency requirements and other related matters. There are several reports including balance sheet and income statements and other statistical reports that should be submitted to the central bank and BCC for monthly, quarterly, semi annually and annually

Accounting/Finance for companies and branches of foreign companies

Financial statements

Ministerial Decree No. 8089 (1996) requires annual financial statements to be prepared in accordance with International Financial Reporting Standards (IFRS). These statements consist of: Balance sheet, Profit and loss account, Cash flow statement, Changes in equity statement, and Notes to the financial statements.

Audit requirements

Audited financial statements must be submitted annually for approval by the general meeting of shareholders. Financial statements must be accompanied by a directors' report and by an auditor's report issued by an independent auditor. The auditor must be registered by the Lebanese Association of Certified Public Accountants.

Audited financial statements along with the auditor's report must be submitted annually to the Ministry of Finance and within eight months of the company's fiscal year.

Requirements for foreign investors

Foreign investments are not subject to any special requirements except for certain regulated industries and sectors.

Book year/accounting currency

The fiscal year ends on 31 December and generally covers 12 months. However, companies can adopt a different fiscal year in conformity with its group financial reporting period.

Limited liability companies and branches of foreign companies must submit all financial statements and a corporate income tax return within five months of the fiscal year end to the Ministry of Finance.

Financial statements can be prepared in the company's functional currency, which may be different to the local currency.

Format Ministerial Order No. 1/6258 (1996) requires that companies present audited financial statements in conformity with IFRS and provide a true and fair view of the financial position and performance of the company.

Financial statements may be presented in English, unless otherwise requested by the Ministry of Finance.

Tax

Approval requirements

A business must notify the Ministry of Finance and obtain a tax number within two months of incorporation.

Advance tax rulings/ Advance pricing agreements (APA)

The Ministry of Finance has been more inclined in recent years to provide written interpretation of tax legislations.

Income tax compliance

All legal entities whether individuals, partnerships or companies are liable to income tax on their income or profits derived in Lebanon. The tax year is usually referred to as the 'income year' or 'year of income' and it covers the period from 1 January to 31 December. Taxable income is computed by reference to the accounting profit before tax with adjustments prescribed by tax laws and regulations.

Companies are subject to a 15% tax rate on profits. All interest and dividend payments are subject to 10% tax, (special exemptions apply to holding and offshore companies).

Tax returns for both joint stock and limited liability companies must be filed by 31 May in the year following the year of income. Other taxpayers must file their returns by 31 March in the year following the year of income.

Indirect tax compliance

Value Added Tax (VAT)

A taxable person is any person (individual, company or partnership) who makes taxable supplies (standard-rated at 10%) and zero-rated supplies under the provisions of the VAT Law as long as his turnover over four consecutive quarters exceeds LBP 150 million on or after 1 January 2005.

Businesses may register for VAT voluntarily when taxable supplies are below registration thresholds. VAT should be declared quarterly 20 days after the end of the quarter.

Other tax compliance

Capital Gains Tax

Profit realized from the disposal of fixed assets and the sale of parts is subject to 10% capital gains tax.

The company may carry out a revaluation of its fixed assets. The revaluation surplus is subject to 10% tax if the amount is recognized in the profit and loss.

Stamp Duties

Lebanon charges stamp duties on many legal documents and agreements. All deeds and written materials, which mention a specific sum of money, are subject to proportional stamp of 0.3%.

Payroll Tax

Salaries, wages and benefits, paid to local and expatriate employees, are taxed at escalating rates from 2% to 20%. Taxes are paid quarterly.

Non-Resident Tax

Non-resident are subject to 7.5% tax on services rendered.

Director's liability to tax

A director of a company is subject to salaries tax in Lebanon for the remuneration received in the capacity of director of Lebanon resident company.



Morocco

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Regulatory/Legal

Setting up business

Investors can invest in any business activity which is not illicit under Moroccan law. Some activities are exclusively reserved to the Moroccan State (e.g. Military weapons), and others are subject to authorizations (e.g. pharmaceutical, broadcasting, banking, telecoms).

Foreign companies and individuals can hold 100% of the share capital of Moroccan companies.

Commonly used business entities

There are two most common types of Moroccan companies, namely a limited liability company (Société à Responsabilité Limitée; SARL) and a limited company (Société Anonyme; SA). There is also the possibility of incorporating a branch.

The applicable taxation would apply to either an SA or SARL. There are a few differences with respect to the use of an SA versus a SARL; the main difference being that for a SARL no statutory audit is required where the annual turnover is less than approximately €5M.

The use of a branch by a foreign entity may be appropriate where the purpose of the branch is to provide administrative services (e.g. to collect commercial information) rather than to realise turnover. Should the branch generate turnover, then tax would apply (as it would for a SA or SARL). The appointment of a statutory auditor is not mandatory for a branch.

Please note the following points:

- Minimum share capital required for an SA and an SARL is approximately €30,000 and €1,000 respectively. No capital contribution is needed for the branch (the branch does not have a distinct juristic personality from the company which creates it);
- Foreign companies and individuals can hold 100% of the share capital of Moroccan companies (e.g. SA or SARL);
- There are no requirements to have Moroccan nationals or local resident directors or shareholders in companies or branches set up in Morocco. It is however recommended that a resident in Morocco be authorized, through a power of attorney (if not the manager or the president of the board) to act on behalf of the company or the branch;

- According to the Companies laws for SA and SARL, in case the net equity of the company is less than 25% of the share capital, the shareholders are required, within the three months following the approval of the accounts, to decide whether to make an anticipated dissolution of the company. In case the dissolution is not decided, the company must, no later than the closing of the financial year following the year during which the losses has been made, decrease its share capital unless the net equity exceeds 25% of the share capital during this period (e.g. by profits or increase in the share capital). Otherwise the company can be dissolved by any interested party (e.g. supplier, employee, etc.);
- In the case of an SA, there is a requirement to have at least five shareholders.

Main legal formalities for the formation of a company or registration of a branch

The setting up of an entity (i.e. a subsidiary or a branch) is subject to several formalities prescribed by Moroccan legislation, mainly:

- Registration the Professional Tax (to obtain a Professional Tax number);
- Registration at the trade register (to obtain a Trade register number);
- Registration with the corporate tax and value-added tax authorities (to obtain a Fiscal Identification number);
- Registration with the Social Security Department; CNSS (to obtain a CNSS number);
- Subscription to mandatory insurances (e.g. work accident insurance) with private insurance companies.

In order to set up an entity in Morocco, the requisite documents/ information should be provided to the regional investment office (centre regional d'investissement "CRI") who would then assist with the registration of the company.

Currency/monetary restrictions

Exchange controls are in place over Moroccan currency. Foreign investors can however freely invest into Morocco, transfer investment income derived from their investment and transfer disposal revenue from their investment, provided however, that the investment is carried out in foreign currency transferred to Morocco and is notified to the Foreign Exchange Office within the 6 months following the realization of the investment.

Regulatory requirements for Financial Services

Financial services should be made in compliance with the provisions of Law No. 34-03.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Morocco has rules in place to keep accounting books. A branch or a subsidiary of a foreign company set up in Morocco should comply with the Moroccan regulations and keep books in Moroccan Dirham (MAD) according to the Moroccan rules provided by Law 9-88 and CGNC ("Code General de Normalisation Comptable").

These financial statements must be published with the court registry within thirty days from the approval of the annual general assembly for an SA or SARL.

Please note that according to the provision of Article 1 of Law 9-88, accounting entries must be recorded chronologically, operation by operation and day by day.

In Morocco IFRS is not mandatory except for banks and are applicable only for consolidated accounts when this reporting form is chosen.

Audit requirements

The requirement for a statutory auditor is mandatory:

- For a limited liability company (SARL) with turnover at the end of the financial year exceeding MAD 50 million (excluding VAT); and
- For a limited company (SA).

Please note that the annual audited reports are not required for tax filings.

Requirements for foreign investors

Branches of non resident companies should comply with the general accounting rules as provided in the section above (see 'financial statements').

Under the provisions of the Moroccan tax code, non resident companies which opt for flat-rate taxation² must keep the following registers:

- Register of payments and transfers;
- Register, signed ("visé") by the labour inspector, of wages paid to Moroccan and foreign personnel including related social expenses (e.g. social security);
- Register of fees, commissions or similar remunerations paid to third parties in Morocco or outside Morocco.

According to the Moroccan tax code, entities taxable to VAT have to keep accounts which allow them to determine the turnover and the amount of VAT to be deducted or claimed.

Book year/accounting currency

The accounting year end does not need to coincide with the calendar year.

The accounting year period is 12 months. It may, exceptionally, for a specified year, such as the first year, be different but it cannot exceed 12 months.

Books should be kept in Moroccan Dirham (MAD) according to the Moroccan rules provided by Law 9-88 and CGNC ("Code General de Normalisation Comptable").

Also, books and financial statements must be prepared in local language (Arabic or French).

Format

Companies must establish, at the end of each financial year, annual financial statements (i.e. annual accounts, balance sheet, profit and loss statement, cash-flows statements; statement of management balances; disclosures notes (ETIC)) in accordance with Law 9-88 and CGNC ("Code General de Normalisation Comptable").

(Footnotes)

² Companies that are successful tenderers in Morocco of construction or assembly contracts can opt for the flat-rate taxation at the time of filing of their "declaration of existence" (declaration for obtaining a fiscal identification number), or after the agreement of every contract (articles 16 and 19 of the Moroccan tax code). The applicable tax rate is 8% of the amount of the contract, excluding VAT (article 19-III-A of the Moroccan tax code).

According to the provision of Law 9-88 regarding the accounting obligations of traders, companies must hold a ledger and Inventory book.

Other legal books which must be maintained by Moroccan companies are as follows:

- Holiday book ("livre de congés") (labor code)
- Payroll book ("livre de paie") (labor code)
- Register of Shares holders and of transfer of shares ("registre de transfert des actions) (for public limited company (SA))
- Shareholder's meetings book
- Board of Directors' meetings book.
- Legal books must be signed and stamped by the clerk of the Commerce Court of the company's headquarter.
- Please note that other legal books and registers related to the labour code must be kept (depending on the number of employees).

Tax

Approval requirements

Tax registration is an integral part of the registration process in Morocco. The company should register for professional tax (to obtain a professional Tax number), corporate tax and value added tax (to obtain a Fiscal Identification Number) and with the Social Security Department; CNSS (to obtain a CNSS number).

Advance tax rulings/ Advance pricing agreements (APA)

Advance tax rulings/Advance pricing agreements are generally not available in Morocco.

Income tax compliance

Moroccan companies or branches of foreign companies are required to file their tax return by the end of the 3rd month after the end of the financial year and pay any remaining tax due within this same period. Moroccan branches of foreign companies are also obliged to make four provisional tax payments by the end of each quarter of the financial year, each payment being equal to one fourth of the previous year's tax liability.

Moroccan companies or branches of foreign companies can electronically file their tax return. Starting from 1 January 2011, electronic filing is mandatory for companies with an annual turnover equal or exceeding MAD 50 million.

The taxable income is determined from the financial statements held according to Moroccan GAAP with some adjustments according to the Moroccan tax code. Operating expenses are generally deductible unless excluded by the Moroccan tax code.

The standard corporate tax rate is 30%³ on the basis of the taxable income.

Under the Moroccan tax code, final losses arising from normal business activities of the company are deductible from the profit of the next financial year. Losses may be carried forward for 4 years. However, depreciation excluding depreciation on non value assets (e.g. deferred expenses) relating to a loss-making period (up to the amount of loss) may be carried forward indefinitely and set off in subsequent years. This depreciation does not include depreciation related to non value assets.

³A rate of 37% applies to credit institutions, the Moroccan central bank "Bank Al Maghreb," the Deposit Bank "CDG," insurance and reinsurance companies and leasing companies

The tax authorities do not issue assessments. However, the tax authorities have the right to carry out a tax audit for a period of four years and to assess the taxpayer to any additional tax (the non barred period may be extended in case of tax losses).

Indirect tax compliance

VAT is levied on industrial, commercial, hand-made or professional transactions carried out in Morocco as well as on import transactions.

A transaction is deemed to have been carried out in Morocco when:

- In case of a sale of goods, delivery is taken within Morocco; or
- In case of all other activities, the services provided, the item leased or the right sold are used within Morocco

VAT rates in force are as follows:

- VAT common rate is 20%; and
- Reduced VAT rates of 7%, 10% and 14% are available for some goods or services.

Taxpayers are assessed on either a monthly or quarterly basis, depending on their turnover.

According to the Moroccan tax code, services rendered or items rented by a non resident company, are subject to Moroccan VAT when they are exploited or used in Morocco. This obligation should be fulfilled by either a representative of non resident company or by its client.

Investments intended to be recognized within assets of a company performing taxable operations or exempted operations with the right of VAT deduction can be acquired with VAT exemption within the first 24 months from the start of the business operations, subject to some requirements.

Other tax compliance

Withholding Tax

There is 10% withholding tax on dividends or after tax profits paid, recognized in the accounts or made at disposal of individuals or companies, whether they have their headquarter or tax residence in Morocco or not, subject to the provisions of the applicable double tax treaty.

Gross remunerations paid, recognized in the accounts or made at disposal of non residents are subject to withholding tax at a rate of 10%, subject to the provisions of the applicable double tax treaty.

Registration Fees

In Morocco, some deeds are subject to a registration fee. The payment of such registration fee is due within 30 days from the deed's date.

Income Tax

Individuals who are tax residents in Morocco are liable for income tax on all their income from Moroccan or foreign source. However, individuals who do not have their tax residence in Morocco are liable for income tax only on their income derived in Morocco.

Income tax is calculated by applying a progressive tax rate to the taxable income base.

Moroccan Social Security ('CNSS')

Social Security contributions are payable by both the employer and employee on the employee's wages. The CNSS contributions are withheld by the local employer on a monthly basis.

Professional Tax

Professional tax applies to entities that carry on professional, industrial or commercial activities in Morocco. Professional tax is determined on the basis of the gross rental value of the premises used. Professional tax is levied on the rental value at a rate of 10%, 20% or 30% depending on the type of business or activities carried on.

An exemption from professional tax is in place for the first five years from the start of activities. The professional tax is annually assessed by the tax authorities and the tax bill is sent to the taxpayer.

Communal Tax

Communal tax applies to land and buildings and equipment and is levied on the rental value, as ascertained for professional tax or the property tax as the case may be. The communal tax is established on the rental value at the rate of:

- 10.5% for the buildings located in the perimeter of urban communes and delimited centres;
- 6.5% for the buildings located in the peripheral zones of urban communes.

The communal tax is annually assessed by the tax authorities and the tax bill is sent to the taxpayer.

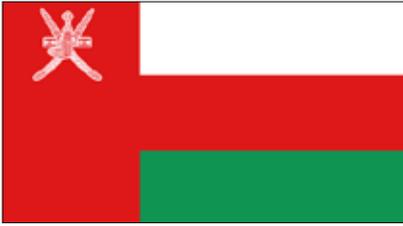
Director's liability to tax

Resident individuals

- For an employee: special allowances and any other payments received by an employee for work carried out, together with costs that he incurred as a director of a company are subject to income tax at the progressive rate.
- For non-employee: remunerations paid to a non-employee individual of the company, appointed as an administrator, in relation to the services rendered are considered as salaries subject to withholding tax (under income tax on salaries) at the rate of 30%, subject to the declaration in the annual income tax return of the individual.

Non-Resident individuals

Directors that are non-resident individuals are subject to 10% withholding tax, subject to the provision of the applicable double tax treaty, on the remuneration received by them in return for their services.



Sultanate of Oman

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Regulatory/Legal

Setting up business

As a matter of policy, the Government of Oman welcomes foreign investment in the country. Oman is one of the very few Gulf countries which permit majority foreign participation (up to 70%) in local companies.

A new tax law was issued in June 2009 which, by equalizing the tax rates applicable to foreign entities, provides for a further level-playing field for foreign companies wishing to invest in Oman.

There are usually no restrictions on the setting up of businesses in Oman, however, a prescribed list of businesses do require a specific license or permit to operate, including areas such as banking & finance institutions, tourism industry, telecommunications, industrial factories, food and beverages establishments, schools and hospitals and employment agencies.

Commonly used business entities

The main forms of doing business (apart from individuals carrying on business as a proprietorship) are as a:

- Foreign Branch;
- Locally Incorporated Company;
- Partnership; and,
- Joint Venture.

Foreign enterprises can also set up representative offices; however their permitted business scope is generally very limited.

Main legal formalities for the formation of a company or registration of a branch

A new entity should be registered with the Ministry of Commerce and Industry (MOCI) and the Oman Chamber of Commerce and Industry (OCCI). Approval for registration usually takes 30 days upon submission of all the required documents.

Foreign Branch

A foreign company is allowed to carry on business in Oman in the form of a branch only if:

- The project is concluded by virtue of a special contract or agreement with the government or quasi-government organization, or is established by a Royal Decree; or
- The project is declared by the Cabinet of Ministers as necessary for the country.

An exception is also made in the case of countries with whom Oman has a Free Trade Agreement (FTA) depending on the terms of the FTA.

A Branch registration is valid only for the duration of the project for which the Branch is registered. The main advantage offered for a branch structure is that it enables a foreign company to retain 100% ownership of the business and an undiluted control of its operations and assets.

Locally Incorporated Company

The following are the three forms of a locally incorporated company:

- Limited liability company (LLC);
- Closed Joint Stock Company (SAOC);
- Publicly held Joint Stock Company (SAOG).

The most common form of conducting business in Oman is through an LLC. A foreign company is currently allowed to acquire ownership to the extent of 70%. Higher ownership is possible in the case of countries with which Oman has a FTA. LLC's are also allowed to prescribe in their Articles of Association a profit sharing ratio which is different from their capital contribution ratio.

The minimum capital requirement for an LLC with foreign ownership up to 70% is RO 150,000 as compared to RO 20,000 for companies without foreign ownership. The higher capital requirements are not enforced in the case of countries with whom Oman has a FTA. The minimum share capital is required to be paid up in full before registration is affected. The minimum share capital required for SAOC and SAOG companies are RO 500,000 and RO 2,000,000 respectively. Further, for SAOC and SAOG companies, half the nominal value of issued shares should be paid up on subscription and the shares should be fully paid up within 3 years of the formation of the company.

Partnership

A general partnership may be formed with a local individual or other registered entities; and the partners are jointly and severally liable for partnership debts to the full extent of their assets.

A Limited Partnership consists of one or more partners with unlimited liability and one or more partners whose liability is limited to the extent of their contributed capital. Limited partners may not participate in the management of the partnership or act in the partnership's name.

Both General and Limited partnerships must register in the commercial register of the MOCI.

Joint Venture

A joint venture is an agreement between two or more parties to carry out a project jointly on mutually agreed terms. It is not a legal entity and therefore does not have a juristic personality. Although, a joint venture need not be registered in Oman, the parties to the joint venture would need to be registered in Oman. The liability of the JV partners is joint and several.

Currency/monetary restrictions

There are no restrictions on inward or outward remittances.

Regulatory requirements for Financial Services

The Central Bank of Oman and the Capital Market Authority regulates the Financial Services industry.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS). Audited financial statements are required to be filed along with the return of income to be submitted to the tax authorities.

Audit requirements

Financial statements must be audited annually by an independent authorized auditor based in Oman wherein the capital of a company exceeds RO 20,000.

Requirements for foreign investors

For an Omani company with foreign participation, the following information is required for registering the company:

- Written request to the Commercial Registration signed by at least two members;
- Written confirmation from the commercial registration department of non-existence of the name proposed for the Company;
- Memorandum of association duly filled and signed by all members. Where a member is
 - an individual – copy of his / her passport or resident card (or equivalent identification document);
 - a non-Omani Company.
- Copy of the commercial registration of that company in the home country;
- Copy of the articles of association of that company in the home country;
- Resolution of the members / board of directors of that company approving the membership in the new company in Oman, disclosing the capital to be invested and naming the authorized signatory on its behalf.

NB: All these documents are to be attested by the Omani Embassy (or any GCC or Arabian Embassy, if an Omani Embassy is not there).

- Copy of the nominated signatory's passport.
- Rent agreement in the name of the company (under formation).
- Specimen of authorized signatories duly signed.
- Proof of the Capital contribution.
- Payment of ministry's fees.

The following documents are required to register a foreign branch in Oman with the MOCI:

- Application for registration of the Branch duly filled in (in duplicate);
- A copy of the contract signed with the Government or its institutions;

Currency/monetary restrictions

- Notarised copies of the constitutive documents of the head office;
- A copy of the head office authorisation given to the resident branch manager in Oman to act on the branch's behalf;
- A summary of the head office's trading experience;
- A copy of the head office's latest financial statements;
- A letter of guarantee from the head office confirming that it is responsible for all liabilities incurred by the branch in Oman;
- Notarised copy of the power of attorney for the manager of the proposed branch;
- A photocopy of the passport of the manager of the proposed Branch;
- Specimen signature of the authorised person to sign on behalf of the proposed branch.

If the Omani Company or the Foreign Branch needs to apply for a particular license to carry out its business operations, additional information may have to be provided to the relevant government authority.

Book year/accounting currency

The Omani government follows the calendar year. However, companies can choose their accounting year to end in any month and are not required to compulsorily follow the calendar year. The first financial year of a company may extend to a period of 18 months. The financial statements have to be drawn up in Riyal Omani.

Format

Companies are required to prepare their financial statements according to IFRS and provide disclosures required therein.

Tax

Approval requirements

An entity does not require approval from the Secretariat General of Taxation, Ministry of Finance, and Sultanate of Oman. However, all taxable entities should obtain a tax file number from the Ministry of Finance by registering themselves with the tax authorities.

Advance tax rulings/ Advance pricing agreements (APA)

Although it is not very common, it is possible to obtain tax rulings from the Ministry of Finance, subject to the prevailing policies and guidelines.

Income tax compliance

With a view to avoid discrimination and encourage foreign investment, the new Income Tax Law ('New Law') which became effective from 1 January 2010 provides for an equalization of the tax rates between foreign and local companies. The New Law specifies a uniform tax rate of 12% for all companies irrespective of the form of the company or the nationality or the level of taxable profits. Taxable profits up to RO. 30,000 are tax free.

Taxpayers are required to furnish for every tax year a Provisional Return of Income (PRI) within three (3) months from the end of the accounting period to which it relates, and pay taxes due on the taxable income estimated for the year.

Taxpayers are also required to furnish an Annual Return of Income (ARI) within six (6) months from the end of the accounting period, and pay the tax balance, if any, based on their taxable income. The ARI has to be submitted together with audited financial statements.

The Tax Authorities in Oman currently examine each tax return filed and therefore, currently, a self-assessment system is not in place.

Indirect tax compliance

Currently, Oman does not have any indirect taxes apart from Customs Duties which are levied at 5% on most imported goods.

Other tax compliance

The filing of withholding tax returns and the payment of withholding tax on specified cross border payments to foreign companies, which have no permanent establishments in Oman, are required to be made to the Ministry of Finance by the 14th of the month following the date of payment or credit, whichever is earlier. Cross border payments specified are:

- Royalties (the New Law defines royalties and the scope has been substantially expanded to include, amongst other things, rental of equipment and know how);
- Management fees;
- Consideration for carrying on research and development; and,
- Consideration for the use, or right to use, of computer software.

A withholding tax rate of 10% is applied on gross payments.

Transactions with related parties

Although there are no specific transfer pricing regulations in the New Law, the practice of the tax authorities is well established.

The tax authorities focus closely on transactions with related parties to determine whether such transactions are at arms' length. They also seek to ascertain whether structures have been adopted solely with a view to avoid or reduce taxes in Oman.

The Tax Law empowers the tax authorities to disregard transactions or structures if the sole purpose is to avoid or reduce taxes due to the Omani Government.

Principal Officer

The New Law stipulates who should act as the Principal Officer. The Principal Officer of an Omani Company should be the person responsible for discharging the obligations imposed on the company in accordance with the New Law.

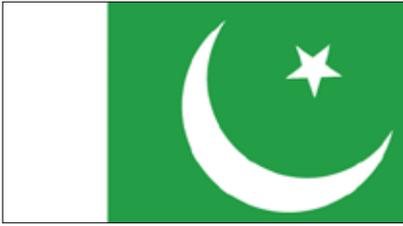
As there are stringent penalties and punishments that could be imposed on the Principal Officer for non-compliance, the role and responsibilities of the Principal Officer is therefore of utmost importance and should be executed in a diligent matter.

Director's liability to tax

There is no personal income tax in Oman. Hence, a director of a company is not subject to tax in Oman for the remuneration received in his capacity as a director.

However, in the hands of the company, Director's remuneration could be restricted in accordance with local tax legislation rules.

Furthermore, should a Director be a Principal Officer of a company then he would be subject to certain responsibilities specified in the Income Tax Law.



Pakistan

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Regulatory/Legal

Setting up business

Pakistan's investment policy has been formulated to create an investor-friendly environment with a focus on further opening up the economy and marketing the potential for direct foreign investment.

Foreign investors are permitted to hold 100% of the equity without requiring any permission from Government, except specified industries like arms and ammunitions, high explosives, radioactive substances, security printing, currency and mint. The requirement for minimum foreign equity has been reduced to US\$ 150,000 for services sector and US\$ 300,000 for infrastructure and social sectors, whereas there is no such minimum limit for manufacturing sector. The foreign equity must be brought through normal banking channel and must be converted into Pakistani Rupees.

Foreign investment in Pakistan is fully protected by the following Acts:

- Foreign Private Investment (Promotion & Protection) Act, 1976
- Protection of Economic Reforms Act, 1992.

Commonly used business entities

Foreign companies can choose between setting-up a liaison office, branch office or incorporate a Pakistani company as either its wholly owned subsidiary or joint venture with a Pakistani / overseas partner. The Companies Ordinance, 1984 provides for the following types of companies:

- **Company limited by shares**

The personal liability of shareholders is limited to the amount (if any) par or face value of shares subscribed by them.

- **Company limited by guarantee**

In this type of company, the memorandum binds each member to contribute to the assets of the company in the event of it being wound up while he is a member, or within one year afterwards, for payment of the debts and liabilities of the company contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding an amount guaranteed by members as specified in the memorandum.

- **Unlimited company**

The law also allows formation of a company with unlimited liability of its members.

From a practical perspective, the limited liability company with share capital would be the type of company contemplated by a non-resident interested in investing in Pakistan. A company incorporated in Pakistan, may either be a “Public Company” or a “Private Company”. A public company can also be a listed company.

Private company

A private company can be easily formed by a minimum of two members (except for a single member company) and may commence its business immediately after certificate of incorporation. A private company, through its Articles of Association (AoA):

- restricts its members’ ability to transfer shares,
- limits the number of its members to fifty, and
- prohibits any invitation to the public to subscribe for its shares or debentures.

Public company

A public company can be formed by three members or more. It is entitled to commence business after obtaining a commencement of business certificate from the Registrar of Companies.

A public company does not have restrictions with regard to maximum number of members and transferability of the shares. A public limited company should have a minimum of three members. Public companies have the option to get their securities listed on a stock exchange.

A company cannot be listed unless it has made a public issue which is subscribed for by at least 500 members. However, this is applicable for listing of shares. For listing of securities other than shares, minimum number of members is three.

A listed company may buy back its own shares subject to conditions specified in the Companies Ordinance, 1984.

Main legal formalities
for the formation of a
company or registration of
a branch

Liaison office (LO)

The activities of a LO of a foreign entity are restricted to undertaking promotional activities, provision of technical assistance, exploring the possibility of joint collaboration and export promotion on behalf of its parent company in Pakistan. Such an office is strictly restricted from entering into revenue generating activities and is required to meet its operational expenses through remittances from its parent company through normal banking channels.

A foreign company desirous of setting up a LO in Pakistan is required to obtain permission from the Board of Investments, Pakistan [BOI] by submitting an application on a specified format. The permission for opening of liaison office is granted by the BOI for an initial period of three to five years. Further extension is granted after reviewing the performance of the entity during the initial period. The request for renewal / extension with complete documentation is processed and disposed off within two weeks.

Branch office (BO)

A foreign entity can operate in Pakistan by establishing a BO. A BO is set up specifically to execute the contracts awarded to the foreign entity; therefore activities are restricted to the extent stated in the signed agreement / contract. A BO cannot indulge in commercial / trading activities.

Revenue generated / profit earned from BO activities can be repatriated to the Head Office, subject to payment of applicable taxes. Such repatriation should be in compliance with the procedure mentioned in the Foreign Exchange Regulations of the State Bank of Pakistan [SBP] through an authorized dealer (banker) under normal banking channels and Tax regulations.

All expenses incurred from BO activities will be met out of funds transferred from abroad through normal banking channels and converted to local currency account, or from the amounts received through execution of the agreement / contract.

A foreign company desirous of setting-up a BO in Pakistan is required to apply for permission to the BOI on a specified application format along with the prescribed documents / information. The BOI normally takes six to eight weeks to issue the permission letter after receiving the application, however, in case of anticipated delay, 3 months provisional permission can be granted on the request of the company.

Further, extensions are granted by the BOI after reviewing and examining the past performance of foreign companies. Request for renewal / extension is generally processed by the BOI within two weeks, provided the requests are supported with complete documentation.

Company limited by shares – Private Company

Key requirements for setting-up a company are explained below:

- A private company required to be incorporated in Pakistan under the Companies Ordinance, 1984 with minimum foreign equity of USD 150,000 for services sector; USD 300,000 for infrastructure & social sector whereas there is no minimum foreign equity requirement in case of manufacturing sector.
- Information / documents generally required for incorporation of a company are listed below:
 - Name of the proposed Company - It is recommended that three names should be proposed in order or priority, so that name clearance can sought from Securities & Exchange Commissioner of Pakistan [“SECP”].

- Details of proposed business - Primary & subsidiary nature of businesses.
- Authorized Share Capital of the proposed company including number of shares and face value per share (subject to minimum capital requirement).
- Name of declarant (any of the proposed directors can be the declarant).
- Name and father's name, address and CNIC number of the witness to Form-1 (Declaration of Applicant for Incorporation).
- Address of the Registered Office of the proposed company Form-21 (Notice of Situation of Registered Office or any change therein).
- Name, designation and CNIC number/Passport number of signatory to Form-21.
- Required particulars of the at least two proposed directors
- Particulars of at least two subscribers to memorandum and articles of association.
- Copies of Computerized National Identity Card / passport (duly attested by gazetted officer) of proposed directors / subscribers and witness to the subscriber page of Memorandum & Articles of Association.

Note: In case of a foreign national (subscriber/ director/ witness), the passport copy must be a true certified copy which should also be authenticated by a Pakistan Diplomatic Consular or Consulate Officer.

- After incorporation of the company and receipt of share subscription money, share capital would be required to be registered with State Bank of Pakistan on a repatriable basis.

Currency/monetary restrictions

Foreign exchange dealings are regulated under the Foreign Exchange Regulation Act, 1947. Foreign currencies are made available to persons / companies doing business in Pakistan for all purposes under rules which have been clearly defined by SBP. There are no restrictions on availability of foreign currency for imports (except for import of banned items or for imports from Israel). Business houses can buy foreign currencies for all other commercial transactions like payments for export claims, commission payment to foreign agents on exports, royalty, franchise / technical fees and dividends (as subsequently described in detail), software licenses / maintenance / support fee, advertisement abroad in newspapers and magazines, business travel (among others).

Foreign investment in Pakistan enjoys full protection and repatriation facilities. The Foreign Private Investment (Promotion and Protection) Act, 1976 provides guarantees for repatriation of foreign investment to the extent of original investment, profits earned on such investment, and appreciation of capital.

Regulatory requirements for Financial Services

The SBP, the Central Bank of the country was established in 1948. In addition to monitoring the implementation of Banking Companies Ordinance 1962, it specifies regulations relating to the monetary system, credit and banking policy and supervises their implementation.

The main law governing in banking companies in Pakistan is the Banking Companies Ordinance, 1962 that regulates and governs the establishment and running of banking companies in Pakistan, in addition to business of commercial banking.

The Banking Companies Ordinance, 1962 and State Bank of Pakistan Act, 1956 specify various regulations, some of which are specified below:

- Capital and reserve requirement
- Cash reserve
- Liquid assets
- Assets outside Pakistan
- Annual accounts and audit
- Remittance of profits
- Number of branches.

Prudential regulations

The SBP has introduced specific Prudential Regulations for Corporate/ Commercial Banks, Small and Medium Enterprises Financing, Consumer Financing, Micro Finance Banks/Institutions and Agriculture Financing.

The Prudential Regulations cover four categories viz. Risk Management, Corporate Governance, KYC and Anti Money Laundering, and Operations. Following are the important conditions prescribed in these prudential regulations for Corporate/Commercial Banks:

- Limit on exposure to a single person
- Limit on exposure against contingent liabilities
- Minimum conditions for taking exposure
- Limit on exposure against unsecured financing facilities
- Linkages between financial indicators of the borrower and total exposure from financial institutions
- Exposure against shares / TFCs and acquisition of shares
- Classification and provisioning for assets
- Payment of dividend
- Margin requirements
- Corporate governance / board of Directors & management
- Credit rating
- Know your customer (KYC)
- Anti-money laundering measures
- Window dressing.

Accounting/Finance for companies and Pakistan branches of foreign companies

Financial statements

All Companies including foreign companies, notified entities, and branches and liaison offices are required to prepare and present annual financial statements within four months from the close of the financial year. Foreign companies means and includes those companies which are incorporated or formed outside Pakistan and have a place of business within Pakistan.

Every listed company is also required to prepare quarterly financial statements within one month of the close of first and third quarter of its year of account and within two months of the close of the second quarter its half yearly financial statements, and transmit the same to the members and stock exchanges on which it is listed.

The directors of every company are required to present audited financial statements in the Annual General Meeting (AGM) not later than 18 months after the date of incorporation and subsequently once at least in every calendar year.

The directors' report is required to be attached with the financial statements in the prescribed manner.

Audit requirements

Following companies are required to have their annual financial statements audited by a Chartered Accountant;

- a public company
- a private company, which is a subsidiary of a public company, or;
- a private company having a paid-up capital of PKR3 million or more.

The first auditor is required to be appointed by the directors within 60 days from the date of incorporation and thereafter in each AGM of the company.

A public listed company shall ensure that its half-yearly financial statements are subject to limited scope review by statutory auditors.

Requirements for foreign investors

The requirements relating to preparation of accounts, audit and submission of accounts to Registrar of Companies are also applicable to the branch / liaison office of a foreign company.

Book year/accounting currency

Generally, financial institutions follow the calendar year as its accounting year and other companies (except sugar and textile companies) follow financial year July-June. Sugar and textile companies follow period of Oct-Sep as their accounting year.

The determination of currency for the purpose of preparation and presentation of financial statements depends upon the currency of the primary economic environment in which the Company operates. However, generally, the financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

Format

The statutory financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 or /and relevant applicable laws (e.g. Banking Ordinance, Insurance Ordinance etc.) provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 or /and relevant applicable laws shall prevail.

However, in case of Medium and Small sized entities, the Company has the option to prepare financial statements in accordance with Accounting and Financial Reporting Framework for Medium Sized Entities / Small Sized Entities issued by Institute of Chartered Accountants and Companies Ordinance, 1984. Such a reporting framework represents a limited application of IFRS.

Tax

Approval requirements

No specific tax approval is required for setting-up business in Pakistan. Every taxpayer is however required to get registered with Pakistan tax authorities and obtain a National Tax Number [NTN] soon after having established business or business connection in Pakistan. Similarly, foreign individuals working in Pakistan are also required to obtain NTN. Businesses subject to indirect taxation are also required to be registered under sales tax or federal excise duty laws.

Advance tax rulings/ Advance pricing agreements (APA)

Pakistan income tax law contains provisions relating to advance rulings. A non-resident person may seek an advance ruling from the Federal Board of Revenue in respect of Pakistan tax implications on a transaction entered into or proposed to be entered into, by filing prescribed application setting forth the details and relevant facts of the case along with own interpretation of law. The Committee constituted for the purpose will issue the advance ruling after examination of the application. An advance ruling is binding on the tax authorities but not on the taxpayer. Therefore, in case of an adverse ruling, the taxpayer may proceed with own interpretation and contest the dispute, if arises, in appeals.

There is no other specific law dealing with advance pricing agreements. However, the law contains rules for Mutual Agreement Procedure where a reference is received from the Competent Authority of a country outside Pakistan under an agreement with that country with regard to any action taken by any income-tax authority in Pakistan.

Income tax compliance

Advance tax payments

Every company and association of persons (partnership) [AoP]⁴ and individuals having latest assessed income of PKR 500,000 or more are required to pay advance tax on quarterly basis in accordance with prescribed formula. The due dates for payment of advance tax are as follows:

Quarter	Companies / AoPs	Individuals
September	25th September	15th September
December	25th December	15th December
March	25th March	15th March
June	15th June	15th June

Further, advance tax on capital gains on sale of securities is also required to be paid on quarterly basis within seven days from the end of the quarter in the prescribed manner.

Statutory withholding tax statements

Every company and AoP / Individual having an annual turnover of PKR 50million or above is required to deduct / collect tax from various payments prescribed under the income tax laws and report such deduction / collection of tax on a quarterly and annual basis. Quarterly statements are required to be filed within 20 days from the end of the relevant quarter and annual statements are required to be filed within two months from the end of the financial year (July-June).

⁴Association of Persons

Annual income tax return

Companies

- Companies following an income tax year ending between 01 January to 30 June are required to file their annual income tax return on or before 31 December following the year end.
- Companies following an income tax year ending between 01 July to 31 December are required to file their income tax return on or before 30 September next calendar year.

A company intends to follow an income tax year other than July-June is required to obtain special tax year approval from the income tax authorities.

Association of Persons (AoP)

An AoP is required to file annual return of income on or before the 30th September next following the end of the tax year.

Individuals

- Salaried individuals are required to file their return of income on or before 31 August following the end of the tax year.
- Other individuals are required to file their annual return of income on or before the 30th September next following the end of the tax year.

Indirect tax compliance

Every registered person under the sales tax and / or federal excise duty laws is required to furnish a monthly return on or before the 18th day of the month following the tax period (the period of one month).

Anti-avoidance

Pakistan income tax laws contain specific rules relating to transfer pricing which prescribes internationally recognized methods (Comparable uncontrolled price method, resale price method, cost plus method and profit split method) for determination of arm's length results in respect of transaction between associates.

Thin capitalization rules are also applicable where foreign-debt-to-foreign equity ratio exceeds 3:1.

Further, the domestic law also empowers the tax authorities to re-characterize a transaction where the a transaction or an element of transaction was entered into as part of a tax avoidance scheme or where the form of the transaction does not reflect the substance; or disregard the transaction which does not have substantial economic effect.

Mergers & Acquisition

Pakistan income tax law contains specific provisions whereby a scheme of arrangement and reconstruction approved by the High Court, State Bank of Pakistan or SECP under the provisions of relevant statutes are taken as a tax neutral event for the entities as well as their shareholders.

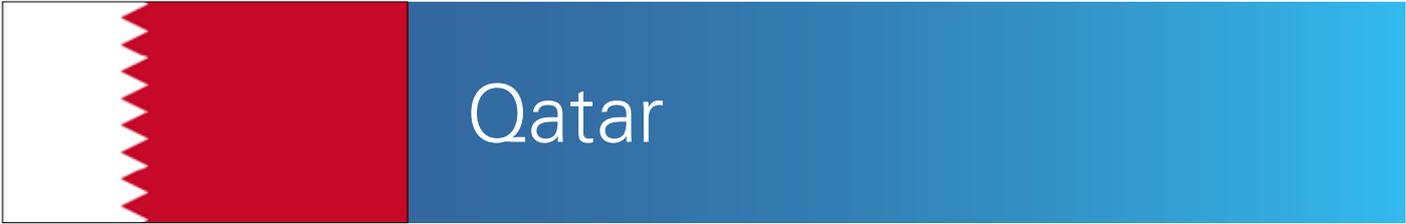
Other tax compliance

- Every industrial or commercial establishment is required to pay workers' welfare fund at 2% of accounting profit before provision of tax or 2% of taxable income declared (in case income falls under presumptive regime, 2% of 4 percent of gross receipts), whichever is higher, along with return of income.

- A company engaged in an industrial undertaking, if the number of workers employed at any time during a year is 50 or more, or the paid up capital as on the last day of accounting year is PKR 5million or more, or the value of fixed assets is PKR 20million or more, is required to establish a Workers' Profit Participation Fund and pay to it, 5% of its profits every year.

Director's liability to tax

There is no specific liability on the director in the Pakistan tax laws, however, any person responsible for misstatement on conviction may be liable to penal actions under relevant taxation laws.



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Regulatory/Legal

Setting up business

1. Foreign Capital Investment Law No. 13 of 2000

Foreign investment in projects in Qatar are allowed 100% foreign ownership in certain designated business sectors. A decision from the Minister, for foreign investors, to exceed the percentage of their participation from 49% to 100% of the project capital may be allowed in the sectors of agriculture, industry, health, education, tourism and the development and exploitation of natural resources or energy or mining, provided it is in conformity with the development plan of the state.

Foreign investments are not allowed in the banking sector, insurance companies, commercial agencies and the purchase of real estate.

The Ministry may exempt the foreign capital invested in specified sectors from income tax for a period not exceeding 10 years starting from the date of operating the investment project.

2. Qatar Science & Technology Park (QSTP)

Designated to host companies that are interested in developing new technologies and introduce them to the Qatari market place. Companies that are registered in the QSTP will enjoy a full exemption from Qatar income tax on profits related to activities carried out in Qatar. Some of the key characteristics of QSTP are :

- Allowed to operate as a branch of a foreign company
- Incorporation of local companies with 100% ownership
- Trade without local agent
- Sponsorship expatriates
- No import or export duty
- Unrestricted repatriation of capital and profits
- Access to facilities for a low cost.

3. Free Investment Zone (FIZ)

- Entities set up in the FIZ may be exempt from income or other taxes for up to 20 years.

4. Qatar Financial Centre (QFC)

QFC is entitled to enjoy 100% tax holiday up to 31 December 2009. QFC is designed to attract financial services companies such as banks, insurance and brokerage firms, certain “non regulated activities” can also apply for a license with the QFC, including shipping broking & shipping agents, investment grading & other grading services, company head quarters, management offices and treasury operations, audit, tax, consulting and legal services, etc.

Partnership Company

A partnership company is formed by two or more natural persons. All partners should be Qatari nationals. A memorandum of association and its attachments should be written and signed by the partners setting out rights and obligations under the partnership. The shares in the partnership shall not be represented by negotiable instruments nor shall they be transferable. Partners are jointly liable for the liabilities of the company. A new partner is liable for all liabilities incurred before or after he joined the partnership.

Joint Partnership Company

A joint partnership company is a company formed by two categories of partners:

- Joint partners - who are responsible for running the company and are responsible for settling the company’s liabilities and are personally liable for the same.
- Limited partners – who subscribe to the company capital without being liable for the companies liabilities except to the extent of their unpaid but subscribed capital.

All joint partners should be individual Qatari nationals. All other rules relating to an ordinary partnership shall also be applicable to joint partnership companies.

Limited Share Partnership Company

A limited share partnership company is a company formed by two categories of partners:

- Joint partners – there should be at least one such partner who is responsible for running the company and also responsible for settling the company’s liabilities and are personally liable for the same.
- Limited partners – who should not be less than four shareholding partners who subscribe to the company capital without being liable for the company’s liabilities except to the extent of their unpaid but subscribed capital.

All joint partners should be individual Qatari nationals. The share capital should not be less than Qatari Riyals 1,000,000 divided into shares of equal value which are transferable and indivisible. The words “ Limited Share Partnership” are required to be added to the name of the Partnership. Subscription of shares should be made in accordance with provisions relating to the subscription in shares of Public Shareholding Companies.

Joint Venture Company

The Joint Venture Company is an unincorporated entity comprising of two or more persons. The Joint Venture Company's memorandum defines its objects, rights and liabilities of partners, etc. The Joint Venture Company may not issue transferable shares or financial instruments. Third parties dealing with the joint venture company only has right of action against the particular joint venture partner.

Limited Liability Company

A limited liability company shall consist of at least two partners and not more than 50 partners. The name of the Company must be followed by the words "LLC" (Limited Liability Company). This is a change from the previous suffix "WLL" (With Limited Liability). The shares of a limited liability company are not freely transferable. A limited liability company shall have a minimum capital of not less than QR 200,000. This vehicle is generally used to set up small companies with the usual 51 % local and 49 % foreign holding.

Public Shareholding Company (Joint Stock Company)

A public shareholding company is a company with shares of equal value which are transferable. A public shareholding company is formed for a definite term. All shareholders should be Qatari nationals except for cases provided for in the Foreign Capital Investment Law No 13 of 2000 i.e. the government and other public corporations may incorporate one or more public shareholding company either alone or jointly with one or more founders whether local national or foreign, whether natural or juristic (Article 68). Such companies shall not be subject to the provisions of the Commercial Companies Law No. 5 of 2002 except to the extent that the provisions of the law are not in contradiction with the undertakings and the agreements entered into between the founders at the time of incorporation and the provisions included in their Memorandum and Articles of Association.

Such partnerships are required to have a General Assembly comprising both joint and limited partners. It is compulsory for all Limited Share Partnership companies to have their books audited.

In order to register a branch in Qatar, it is first required to obtain Ministerial Decree permitting the company to establish a branch 100% owned by foreigners. The following documents are required to obtain an approval registration for a branch office in Qatar:

- Application form, duly completed in Arabic.
- A copy of the Certificate of Registration of Foreign Shareholder at the place of origin.
- A Power of Attorney from the foreign company in favor of a representative of the foreign shareholder for use in Qatar together with a copy of his/her passport.
- Memorandum and/or Articles of Association of the foreign shareholder.
- Board resolution of the foreign shareholder confirming their desire to establish a branch in Qatar.

Main legal formalities
for the formation of a
company or registration of
a branch

- Contract with government/quasi government entity. This should be translated into Arabic. The Ministry may, however, accept Arabic translations of the relevant texts of that document only.
- Such other documents as the Ministry may direct.

Once the approval is granted, the foreign company must obtain a commercial registration by submitting the following documents:

- An application form in Arabic signed by the branch manager;
- Copy of the Ministerial Decree approving the branch office;
- Copies of the foreign company's certificate of incorporation and memorandum and articles of association;
- The branch's commercial license;
- Its municipality license and signage license;
- Its Chamber of Commerce membership certificate;
- The copy of lease agreement for its business premises; and
- Such other documents as the Ministry may direct.

To establish an LLC the following requirements must be satisfied:

- It must have a minimum of two shareholders and a maximum of fifty shareholders.
- The capital of an LLC must be at least QR 200,000.
- Qatar Commercial Companies' Law ("QCCL") requires that at least 51% of the shares of an LLC must be owned by Qatari shareholders.

A LLC shall be established under a contract signed by all the shareholders, which should include the following:

- The name and address of the company adding the phrase "Limited Liability Company".
- The names of shareholders, their titles, their nationalities, and their place of residence.
- The address of the company's head office.
- The object for which the company is incorporated.
- The amount of capital, whether it is in cash or otherwise, which each partner subscribes.
- Conditions of assignment of shares.
- The duration of the company.
- The names of the persons entrusted with the management.
- The method of distributing profits and losses.

The above contract should be signed by all the shareholders of the LLC and should be registered with the Commercial Registry Department of the Ministry of Economy and Commerce.

The following documents are required to obtain an approval registration for a LLC in Qatar:

- The Memorandum of Association.
- The payment proof of capital mentioned in the memorandum, which must not be less than QR 200,000.
- The company lease contract (or proof of ownership).

- The company lease contract (or proof of ownership).
- Copies of the passports and identity cards for all natural partners, however in case of legal partners a copy of the commercial registration is required.

Proof that the share capital of a foreign partner does not exceed 49%, while the Qatari partner possesses at least a 51% shareholding of the company.

Currency/monetary restrictions

Qatari Riyal (pegged to USD).

There are no exchange control restrictions in Qatar.

Regulatory requirements for Financial Services

Governed by the Qatar Central Bank (QCB) & Qatar Financial Center (QFC)

Accounting/Finance for companies and branches of foreign companies

Financial statements

Companies are required to prepare the accounts in accordance with International Accounting Standards.

Audit requirements

Under the provisions of Commercial Companies Law No 5 of 2002, all public shareholding companies, limited liability companies, holding companies and limited share partnerships should appoint one or more auditors. Auditors should be registered in Qatar and their term of office cannot exceed five consecutive years.

Book year/accounting currency

The normal fiscal year is the Gregorian calendar year (1 January to 31 December). However, with prior approval of the Director of the Public Revenues and Taxes Department, a company can follow a financial year different from the calendar year.

There are no specific requirements for the currency in which accounts to be maintained.

Format

As per the International Accounting Standards.

Tax

Approval requirements

The Income Tax Law has made it mandatory for every company to register and obtain a tax card from the Tax Department.

Advance tax rulings/
Advance pricing agreements (APA)

Generally, there are no advance pricing agreements allowed by the tax department.

Income tax compliance

A new flat tax rate of 10% will replace the existing top rate of 35% and will apply to foreign owned entities. However, the new 10% rate will not apply to certain entities operating in the petroleum sector for which their prevailing or new agreements with the State of Qatar may override the new 10% tax rate. If caught under this exception, tax will apply at a rate of at least 35%.

Please note, the draft Executive Regulations (ER) to the new Tax Law have not (at the time of writing this guide) been finalized. It is recommended that our conclusions be reviewed once the final ER are released by the Qatar tax authorities (expected by 30 April 2011).

Administration

There have been some significant changes in the administrative arm of the Tax Department. The main changes are expected to be:

- Relevant accounting records and documents to be maintained according to IFRS, and kept for a period of ten years.
- Mandatory tax registration within 30 days of commencing activity in Qatar. Existing taxpayers must register within 30 days (i.e. 30 January 2010) of the law being effective if they have not already done so.
- Audited financial statements are required to be submitted with the tax declaration if:
 - Taxable income exceeds QR 100,000.
 - Capital exceeds QR 100,000.
 - Head office is located outside of Qatar.
- Tax as assessed by the tax department must be paid before any appeal submissions can be made.
- Taxpayer can claim a refund for taxes and penalties unduly collected by making a claim within 5 years after the date of knowledge of the undue collection.
- Relevant entities will have to notify the tax department of concluding contracts within 30 days.

Indirect tax compliance

Final Withholding Tax

Amounts paid to non-residents in return for activities not related to a permanent establishment in Qatar are subject to final withholding from source, and must be submitted to the Tax Department by the 15th of the month, following the month the actual payment is made. This will apply on the following basis and categories:

- 5% on technical fees and royalties; and
- 7% of the gross amount of interest, commissions, brokerage fees, director's fees, attendance fees and any other payments for services carried out wholly or partly in the state.

Withholding tax on interest is currently suspended.

Other tax compliance

Not applicable.

Director's liability to tax

There is no mentioning in the law that director would be specifically responsible for tax liability.



Kingdom of Saudi Arabia

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Regulatory/Legal

Setting up business

The Foreign Investment Act allows foreign companies to invest in all economic activities other than those listed on the so-called “negative list”. Broadly, the Foreign Investment Act also allows foreign companies to own 100% of local companies with the exception of certain activities like trade which requires minimum 25% local shareholding. A Saudi sponsor or a local partner is no longer required except in the case of certain business activities. The Saudi Arabian General Investment Authority (SAGIA) is responsible for dealing with all matters relating to the investment regulations, including issuance of licenses to foreign investors, etc.

Commonly used business entities

The main company types are limited liability companies (LLC), joint stock companies (JSC), general partnerships and limited partnerships. Foreigners generally conduct business through either a LLC or branch office of a foreign company.

Main legal formalities for the formation of a company or registration of a branch

The establishment of a Branch or LLC (which has foreign ownership) in Saudi Arabia requires a license from the Saudi Arabian General Investment Authority (SAGIA). In addition, a Branch and LLC requires Commercial Registration Number from the Ministry of Commerce & Industry (MOCI). There are certain restrictions related to minimum amount of share capital, number of shareholders and business sectors which needs to be observed where there is foreign participation

Currency/monetary restrictions

The currency of Saudi Arabia is the Saudi Riyal. There are no foreign currency restrictions in Saudi Arabia.

Regulatory requirements for Financial Services

Financial service companies are generally governed, licensed and regulated by the Saudi Arabian Monetary Agency (SAMA). The Capital Market Authority (CMA) regulates and monitors the activities of entities broadly carrying on capital market activities.

Accounting/Finance for companies and Saudi branches of foreign companies

Financial statements

Annual financial statements must be prepared under the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), except banks and insurance companies which are allowed to prepare their financial statements under International Financial Reporting Standards (IFRS).

Audit requirements

Foreign companies subject to income tax in Saudi Arabia are required to submit tax returns based on audited financial statements.

Requirements for foreign investors

The establishment of a Branch or LLC in Saudi Arabia requires a license from the Saudi Arabian General Investment Authority (SAGIA) and a Commercial Registration Number from the Ministry of Commerce and Industries (MOCI).

Book year/accounting currency

Generally, the taxable year for taxpayers of all activities is the State's fiscal year (i.e. January to December). However, a taxpayer may use a different fiscal year after obtaining approval from the DZIT. The taxpayer's first fiscal period will start from the date of its commercial registration or license and it can be for less than 12 months or more than 12 months (generally up to 18 months) if the company's Articles of Association provide for a long first fiscal period. A Branch's first fiscal period, under no circumstances, can exceed 12 months.

Companies must maintain book of accounts in Saudi Riyal and in Arabic language.

Gross revenue and taxable profits must be calculated in Saudi Riyal. Where the calculation of income involves an amount in foreign currency, the amount is converted at the exchange rate published by the Saudi Arabian Monetary Agency on the date of the transaction.

Format

Annual financial statements must be prepared under the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), except banks and insurance companies which are allowed to prepare their financial statements under International Financial Reporting Standards (IFRS).

Tax

Approval requirements

Approval is not required from the Department of Zakat and Income Tax (DZIT) for setting up a business. However, an application for registration with DZIT should be submitted before the end of the first fiscal year. Failure to register is subject to a penalty ranging from SR 1,000 to SR 10,000.

Advance tax rulings/ Advance pricing agreements (APA)

There is no formal tax advance ruling system in Saudi. Obtaining rulings on issues of principle is possible in certain circumstances.

Income tax compliance

Saudi Arabia has a system which includes corporate income tax, withholding tax and Zakat. Corporate income tax is assessed on the share of the profits of the foreign partner in the local company and a non-resident who conducts business in Saudi Arabia through a permanent establishment. The corporate tax rate is generally 20%, apart from activities related to natural gas investment and oil and hydrocarbon productions, where the tax ranges from 30% to 85%.

Zakat is a religious levy on Saudi and Gulf Cooperation Council (GCC) nationals and Saudi companies that are wholly owned by Saudi or GCC nationals. The Zakat rate is 2.5% of the higher of the adjusted taxable profits or the Zakat base which in general comprises equity, loans and provisions reduced by deductible investments and fixed assets.

A tax payer is required to submit its tax/zakat return to the DZIT within 120 days from the end of the taxable period of the incorporated body.

Saudi Arabian tax law provides for actual withholding tax at different rates on payments made to non-resident parties by a resident or a PE of a non-resident from a source of income in the Kingdom of Saudi Arabia.

Accordingly, any payment for services provided by a non-resident enterprise, which is from a source or deemed source in the Kingdom, is subject to withholding tax. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. In accordance with the provisions of the tax laws and by-laws, the amount of withholding tax is calculated at the following rates:

Management fees	20%
Royalty	15%
Payments to head office or related party for services	15%
Rent, consultancy or technical services, air tickets pr airfreight or sea freight, international telecommunication services, dividends, interest on loans, insurance or re-insurance installments	5%
Any other payments	15%

A person withholding tax under the tax law is required to pay to the DZIT the amount withheld during the first ten (10) days of the month following the month of payment to the non-resident. Furthermore, the person withholding tax is required to file with the DZIT an annual withholding tax report within 120 days from the end of his financial year. This form will be a consolidation of all the monthly withholding tax forms filed by the person during the financial year.

Indirect tax compliance

Withholding tax procedures in case of Treaty relief

The DZIT has recently issued a circular (May 2010) which specifies new rules that will be applicable with regard to claims for beneficial withholding tax provisions under various DTAs entered into by Saudi Arabia.

Under the new rules, when making payments to a non-resident (belonging to a country with which Saudi Arabia has a DTA), tax should be withheld in accordance with the domestic withholding tax rates (without regard to the concessional provisions of the DTA at the first instance).

Additionally, the circular sets out the procedure that needs to be followed to obtain a refund of overpaid tax in cases where the rate under an applicable DTA is lower than the rate under Saudi tax law.

The circular rules that the withholder (payer) should submit a letter to the DZIT requesting a refund of the overpaid amount, along with the following documents:

- A letter from the recipient of the payment (non-resident) requesting a refund of the overpaid taxes;
- A certificate issued by the tax authorities of the beneficiary's jurisdiction, certifying that the beneficiary is a resident of that country in accordance with Article 4 of the relevant DTA and that the amount paid is subject to tax in that country; and
- A copy of the withholding tax form used to pay the tax, together with the bank receipt confirming settlement of the WHT with the DZIT.



Sri Lanka

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Regulatory/Legal

Setting up business

A company incorporated outside Sri Lanka could set up a business in the country either by incorporating a company in Sri Lanka or by registering a branch office (overseas company). A foreign company may also register an off shore company in Sri Lanka solely for the purpose of carrying out business outside Sri Lanka.

Foreign investment into Sri Lanka could be made either with an agreement with Board of Investment (BOI) of Sri Lanka under Section 17 of the Board of Investment Law No. 4 of 1978 or with approval under Section 16 of the said Law. Approval under Section 17 would enable the company to benefit from a range of exemptions / concessions such as relief from income tax, customs duty & exchange control; while the latter scheme is governed by the normal laws of the country.

One hundred percent foreign equity investment is permissible on shares of Sri Lankan companies and does not require any prior sanction from the Sri Lanka authorities other than notification to the BOI of Sri Lanka. There are exceptions to this as follows:

Prohibited Activities

These areas are reserved for Sri Lankan citizens; money lending, pawn broking, retail trade with a capital of less than USD 1 million and coastal fishing.

Regulated Activities

The extent of any foreign investment percentage is subject to regulation by a separate statutory authority in the following industries: air transportation, coastal shipping, large scale mechanized mining of gems, lotteries and Industrial undertakings set out in the Second Schedule to the Industrial Promotion Act No.46 of 1990, namely:

- Any industry manufacturing arms, ammunition, explosives, military vehicles and equipment aircraft and other military hardware
- Any industry manufacturing poisons, narcotics, alcohol, dangerous drugs and toxic, hazardous or carcinogenic materials
- Any industry producing currency, coins or security documents.

Restricted Activities

In these areas, foreign investment above 40 percent requires the prior approval of the BOI of Sri Lanka on a case-by-case basis in consultation with the relevant state authority. The areas falling within such restriction are: production of goods where Sri Lanka's exports are subject to internationally determined quota restrictions, growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar and spices, mining and primary processing of non-renewable national resources, timber based industries using local timber, fishing (deep sea fishing), mass communication, education, freight forwarding, travel agencies, shipping agencies.

Commonly used business entities

A foreign company could establish a business presence in Sri Lanka via one of the following types of vehicles:

- Company incorporated in Sri Lanka
- Branch office (Overseas company)
- Offshore company.

Main legal formalities for the formation of a company or registration of a branch

Company

A company could be incorporated pursuant to obtaining the approval for the name, and furnishing documents as prescribed by the Registrar of Companies e.g. Articles of Association, consent & certificate from the Directors and the Secretary, location of registered office and payment of a registration fee (maximum LKR 10,982).

Investment via BOI entails making an application to the BOI and either execution of an agreement or obtaining a letter of approval for the investment.

Branch Office (overseas company)

A Branch of a foreign company could be registered in Sri Lanka, under the provisions of the Companies Act No.7 of 2007. Documents specified by the Act should be submitted to the Company Registrar (Resolution of board of directors and a special resolution of the entity, English translation of the certified documents of the company's constitution, certificate of incorporation etc). Additionally, a sum of LKR 25,000 should be paid as a registration fee.

Overseas companies have the same powers to hold land in Sri Lanka as local companies.

Offshore Company

The Sri Lanka Company Law provides for the registration of what are termed "Offshore Companies". Under the Company Law, offshore companies are not entitled to carry on business in Sri Lanka. An offshore company is deemed to be incorporated in Sri Lanka and is able to carry out business transactions with other countries in the region as a Sri Lanka registered entity.

Incorporation in Sri Lanka is not a prerequisite for registration; however, such companies must comply with the following for registration purposes:

- Certain specified documents, including those relating to the constitution of the company, must be submitted to the Registrar of Companies;
- A registration fee of LKR 50,000 must be paid to the Registrar of Companies; and

- A deposit of US \$60,000 must be placed with a commercial bank operating in Sri Lanka to defray expenses of the offshore company.

An offshore company is not precluded from securing benefits and advantages conferred by law.

Currency/monetary restrictions

Investments in shares

All investments in listed and unlisted securities by non-residents should be made via a Securities Investment Account (SIA).

The SIA account enables sales proceeds from the disposal of shares to be remitted offshore without any restriction from exchange control authorities. Documentary evidence of the sale and tax clearance is required to be submitted to the exchange control authorities by the selling broker. Dividends credited to these accounts can also be remitted offshore on the same basis.

Setting up branches in Sri Lanka

As per Central Bank guidelines for foreign exchange transactions, non resident companies are permitted to set up an 'overseas company' to carry out business in Sri Lanka subject to specific exclusions and restrictions. With effect from 22 November 2010, all investment made by such non resident company must be made through an Inward Investment Account (IIA).

An IIA can be opened with any commercial bank in Sri Lanka with a minimum investment of USD 200,000. Evidence of the remittance must be made to the Registrar of Companies within 30 days of the registration of such overseas company and the investment must be recorded in the Company's books until it ceases business in Sri Lanka.

Capital account transfers require prior permission of the exchange control authorities.

Regulatory requirements for Financial Services

Companies engaged in Banking, Insurance, Finance, Finance leasing, Hire Purchase are regulated by respective statutory regimes and are under the supervision of institutions such as Central Bank & Insurance Board of Sri Lanka.

Accounting/Finance for companies and branches of foreign companies

Financial statements

The Companies Act mandates the preparation of financial statements within six months or within such extended period as may be determined by the Registrar General of Companies after the balance sheet date of the company. The Act also stipulates the contents and form of financial statements and the obligation to prepare group financial statements.

In addition Sri Lankan Accounting Standards most of which are based on the 2004 version of the IFRS govern the preparation of financial statements. Sri Lanka is to converge fully with the IFRS with effect from 1 January 2012.

Every company should at least once in every year deliver to the Registrar General of Companies an Annual Return in the prescribed form. All companies except private companies must forward a copy of financial statements together with the Auditor's report for registration to the Department of Registrar of Companies within twenty working days of the said statement being signed.

Under and in accordance with the Companies Act, a company as well the branch office (an overseas company) is required to furnish financial statements to the Registrar General of Companies on an annual basis along with other documents as required.

The financial statements are required to be in Sinhala or in English, if a different language is used, then a translated copy is to be attached with the certified accounts and forwarded to the Registrar of Companies and to the Department of Inland Revenue along with the Return of Income.

The Companies Act No. 7 of 2007 sets out record keeping requirements including the place of maintaining such records.

Audit requirements

A company shall audit the financial statements of the company and if the company is required to complete group financial statements, those group financial statements for the accounting period next after the balance sheet date for which financial statements were audited. The Companies Act mandates the appointment of an Auditor at each Annual General Meeting (AGM) to hold office until the conclusion of the next AGM. The Auditor's report to the shareholders should state the basis of the opinion, the scope and limitations of the audit, whether in the auditor's opinion the financial statements or any group financial statements give a true and fair view of the matters to which they relate and if they do not, the respects in which they fail to do so.

Inland Revenue Act requires every person / partnership having a turnover of not less than 250 million Rupees or a net profit or divisible profit, as the case may be, not less than 100 million Rupees for the year and quoted public companies to furnish audit reports with the annual Income Tax Returns.

Requirements for foreign investors

Foreign investors investing in shares must follow the procedure set out in Gazette including routing the investment via a SIA, disclosing the required facts in the share transfer form and observing investment at the prescribed investment thresholds.

A sum of USD200,000 is to be deposited in IIA where a branch office is registered in Sri Lanka.

Book year/accounting currency

There is no specific law in Sri Lanka specifying the accounting year. Most entities in Sri Lanka maintain books to 31 March while Banks and Financial Institutions prepare Accounts to 31 December. However for income tax purposes the Year of Assessment is defined in the Inland Revenue Act as the year ending 31 March and with the approval of the Commissioner General of Inland Revenue, the books could be maintained and Statutory Income be prepared for a different period.

Financial statements may be prepared in a functional currency other than Sri Lankan Rupees. However for tax purposes, as a practice, financial statements in foreign currency must be translated in to Sri Lankan Rupees.

Format

As prescribed in the Sri Lanka Accounting Standards and the Regulations prescribed under the Companies Act.

Tax

Approval requirements

No specific approval requirements. Any person liable for any tax must register with the Department of Inland Revenue. Tax registrations include Income Tax (TIN), Withholding Tax, Pay As You Earn (PAYE) registration, VAT registration, Nation building Tax (NBT) registration etc.

Advance tax rulings/ Advance pricing agreements (APA)

The Tax Laws in Sri Lanka do not provide for advance tax rulings, however where an issue is contentious a verbal clarification and/or written ruling maybe requested from the Revenue Authorities. The Inland Revenue Act contains provisions for profits of certain businesses to be computed as a percentage of the receipts and a formula for determining profits of non resident ship owners / charterers.

The transfer pricing regulations introduced recently, but not enforced by the tax office at present, contain provision for APA.

Income tax compliance

A Year of Assessment or Tax Year in Sri Lanka runs from April 1 to March 31 and the related income tax for each Year of Assessment is computed on a current year basis. Generally, this March 31 Year of Assessment applies to all taxpayers, However, in cases where the entity in question is a subsidiary or branch of a non-resident group, or on a case-by-case basis with regard to resident companies, the Sri Lanka Revenue Authorities do allow flexibility in calculating the income tax payable based on that entity's accounting period. This generally applies to overseas groups which have a December 31 accounting year end.

Sri Lanka has a self-assessment system. Tax is collected by deduction at source on certain types of income (e.g. interest, dividends, specified fees, management fees, rent on commercial premises etc.) under a Pay-as-you-earn (PAYE) scheme on employment income and self-assessment quarterly payments.

Sources of income chargeable with income tax are as follows:

- Profits from any trade, business, profession or vocation
- Profits from employment
- Net annual value of any land
- Dividends, interest or discounts
- Charges or annuities
- Rent, royalty or premiums
- Winnings from lottery, betting or gambling
- Any grants, donations or contributions or any other payments received by a non-governmental organization (NGO)
- Income from any other source whatsoever, not including profits of a casual or non-recurring nature.

The basis of liability to taxation is determined by a person's tax residence. Accordingly, while residents are taxed on worldwide income, non-residents are only taxed in Sri Lanka on Sri Lanka-sourced income.

The current rate of corporate tax is 35% of the 'Taxable Income' (proposed to be reduced to 28% w.e.f. 1 April 2011 as per the latest fiscal budget). Foreign source income of residents is taxed in accordance with the normal provisions of the Act. Where tax is suffered in an overseas jurisdiction, a tax credit may be available where a Double Tax Agreement (DTA) exists between Sri Lanka and that overseas jurisdiction.

The Return of Income is due on or before the 30th November succeeding the end of the Year of Assessment.

Indirect tax compliance

The current Value Added Tax (VAT) system has been in effect since 1 August 2002.

Liability to VAT arises on:

- The import of goods into Sri Lanka; and
- The making of a taxable supply of goods or services by a registered person in the course of carrying out a taxable activity in Sri Lanka.

Export of goods and certain services are zero-rated.

Exempted and excluded supplies are however not liable to VAT. Exempt supplies are set out in the statute. The wholesale or retail supply of goods, other than by a manufacturer, an importer, or a person who supplies such goods under any tender agreement is an excluded supply.

Persons registered for VAT are entitled to claim credit for taxes paid on inputs, attributable to the making of taxable supplies. The standard rate of VAT is 12%.

Sri Lanka levies VAT on the business of provision of financial services at the rate of 12% (Profit VAT) based on the value addition to be computed in accordance with the guide lines to be issued by the Commissioner General.

While 'Financial VAT' is based on bi-annual returns and monthly payments, VAT based on invoice credit method follows monthly / quarterly returns and monthly payments.

Other tax compliance

Sri Lanka has a fascinating web of taxes comprising of taxes such as the Economic Service Charge, Nation Building Tax, Social Responsibility Levy and import levies including Customs Duties, Excise Duties, Ports and Airport development Levy, Cess and Stamp Duty etc.

The charging of these taxes is generally subject to meeting a liability threshold. In the case of import taxes chargeability arises on the incidence of importation.

³*Taxable Income is the sum of statutory income from various chargeable sources of income less certain allowable deductions and reliefs*

Director's liability to tax

Various tax statutes contain provisions to penalize the directors and principal officer of the company for un-discharged tax liabilities of the company. Where any private company is wound up, directors are jointly and severally liable for the payment of tax for unrecoverable income taxes of the company.

The VAT Act provides for proceeding against the director under the provisions of the Act as if such director was responsible for the default.



Sudan

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Regulatory/Legal

Setting up business

The Company shall be established in accordance with the provisions of the Companies Law to engage in the proposed activities. Subsequently, an application shall be submitted to the Investment Ministry for enjoying the incentives prescribed by the Investment Encouragement Law.

The preferred structure for a company depends on whether the strategic plans are short term plans such as execution of a specific project, in which case it is preferable to set up a foreign branch or whether they are long term plans where a private limited liability company is preferable.

Foreign investors are not allowed to undertake importation and exportation activities, nor trading activities.

Commonly used business entities

The following forms of entity are available to foreign investors looking to establish a business in Sudan:

- Branch: wholly owned by a foreign investor;
- Private Limited Company: owned by a foreign investor in participation with local individuals or companies;
- A Public Company: in the form of a closed joint stock company or a joint stock company listed on the stock exchange

Foreign investors usually set up strategic/non-strategic projects in accordance with the Investment Encouragement Act to avail benefits such as custom exemption.

The preferred corporate structure for a foreign investor depends on whether the investor's strategic plans are short term, such as, execution of a specific project in which the case it is preferable to set up a foreign branch or whether they are long term in which case either a joint stock or private limited liability company is preferable.

Main legal formalities for the formation of a company or registration of a branch

Requirements for establishing company:

- Founders should not be less than two (individuals or corporate bodies).
- Minimum share capital for projects established under the Investment Law varies based on the nature of the activities performed.
- The company's name; it is preferable to propose more than one name.

- The company's premises.
- The company's purpose in details.
- The company's capital.
- Statement of the company's founders shows their capital participation.
- Determining the limit of responsibility of the company's shareholders.
- Copies of passports of all non-Sudanese shareholders and board members

Requirements for establishing branch:

- An official copy of the foreign company's articles of association.
- An official copy of the foreign company's commercial Registration certificate.
- An official copy of the foreign company's board resolution approving registering the company's branch in Sudan and nominating the branch manager, it shall also include that the company has no other branches registered in Sudan. A statement of the foreign company board of directors.
- Power of attorney for undertaking the necessary action to register the branch.
- The contract for the branch's premises.
- The contract concluded between the foreign parent company and the Sudanese company/ bodies, may be required.
- In the case of establishment of a branch of the contracting company in Sudan, the signed contract between the parent company and the Sudanese entity (company or person) will be required to be submitted as a part of the establishment documents.

Currency/monetary restrictions

Approval from the Central Bank of Sudan is required for transfers of foreign currency out of Sudan. Sudanese banks are regulated by the Central Bank of Sudan.

Foreign entities' loans and intercompany finance inflows/outflows are also regulated by the Central Bank of Sudan.

In addition, to transfer profits, the capital has to be initially transferred from abroad in foreign currency and registered with the Central Bank of Sudan.

Regulatory requirements for Financial Services

All foreign exchange transactions should be made through a commercial bank upon receiving approval from the Central Bank of Sudan.

Accounting/Finance for companies and branches of foreign companies

Financial statements

A company is required to prepare financial statements according to the Sudanese Financial and Accounting Standards.

Audit requirements

A company is required to submit the financial statements (to be approved by a certified auditor) as well as an annual report which should include the final status of purpose, shareholders, board of directors, general manager etc, and any changes thereto.

Requirements for foreign investors

In summary, the key requirements for foreign investors looking to establish a business presence in Sudan are as follows:

- Submit an application for preliminary approval to register and reserve the company name;
- Notarize the memorandum and articles of association, and register with Commercial Registration department
- Notify the taxation chambers so as to:
 - Obtain the Tax Card
 - Register for Personal Income Tax
 - Register for VAT
 - Register for Zakat.
- Enroll employees for social security;
- Make a company seal.

Book year/accounting currency

Companies registered in Sudan are required to prepare audited financial statements and file an annual Business Profit Tax Return (financial statements should be provided upon filing the annual Business Profit Tax Return). The Business Profit Tax Return should be submitted to the Tax Office no later than three months and a half after the company's financial year end.

Format

Financial reports required must be prepared in accordance with local GAAP.

Tax

Approval requirements

Taxpayers are required to register with the Taxation Chamber before commencing work in Sudan.

Advance tax rulings/ Advance pricing agreements (APA)

There are currently no advance tax rulings or advance pricing agreements in Sudan.

Income tax compliance

Tax is imposed on income which may be sourced out of:

- Sudan (in case of resident or non-resident persons); and
- Any place outside Sudan (in the case of resident persons) The said income shall relate to the following:
 - Business profits
 - Personal income

Tax shall be imposed upon the profits resulting from any "commercial activity" i.e. any business for the purpose of profit.

Losses are carried forward for five years, if the loss has not been fully utilized within this period, no further deduction is allowed.

Companies are required to fill the corporate tax return and submit it to the Tax Office not later than three months and a half from the end of the company's financial statements.

Business Profit Tax exemptions as per the Investment Law were repealed as from January 2008. Companies who enjoy the tax holiday periods will continue until the exemption expires.

Individual Income Tax is the tax on salaries, wages and the like which the employer is required to withhold the tax and pay it to the Taxation Chamber on a monthly basis.

The tax rates on business profits are as follows:

Industrial activities	10%
Commercial, services, banking & insurance	15%
Cigarettes & tobacco	30%
Oil and gas	35%
Agricultural projects	0%

The annual rates of Personal Income Tax are as follows: (SDG- Sudanese Pound)

SDG		
First	9,090	Exempted
Next	120	5%
Next	240	10%
In excess of	240	15%

Indirect tax compliance

Value Added Tax (VAT)

VAT is an indirect tax borne by the final customer. It is characterized by the system of deduction which allows the tax paid on purchases to be offset against the tax collected on the sales i.e. it is the difference between the tax on inputs and outputs and is collected by the registered commissioned person.

The rate of VAT, on commodities, services and business, is 15% and 20% for the telecommunications industry.

Customs Duty

Imported materials which are required for a contract are normally subject to customs taxes.

Entities established under the Investment Law enjoy a total or partial exemption from customs duties with respect to importation of fixed assets and initial and intermediate production input.

Other tax compliance

Zakat Duty

Zakat Duty is imposed according to Islamic Shariaa on Muslim persons and Muslim working capital. Zakat Duty is calculated annually at 2.579% of the working capital.

To the extent that the company's shareholders are Muslims, Zakat is levied on a pro rata percentage of the company's working capital.

Social Development Tax

This is charged at 3% of the annual net income for companies who have availed a particular tax exemption.

Withholding Tax

Withholding tax on transactions with non-resident foreign entities:

A withholding tax rate of 15% is imposed on the following payments made to overseas parties by resident companies:

- Royalties
- Management fee
- Service fee.

Reduced tax treaty rates apply for royalties and interest rates where applicable.

Stamp Duty

Stamp Tax law has been recently issued, and under the amendment made, dividends are subject to 1% stamp duty.

Director's liability to tax

Remuneration of members of the board of directors granted annually or monthly, is subject to tax at the highest personal income tax rate currently set at 15%.



Syria

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Regulatory/Legal

Setting up business

There are no restrictions in general on foreign investments in Syria as long as the necessary industry permits are properly obtained.

All foreign investors who wish to invest in Syria should submit a request for project approval to the Ministry of Economy and Trade.

Investors wishing to set up their business under the Investment Law (explained below) should submit their request to the Syrian Investment Agency (SIA). The SIA will forward the request to the relevant Ministry, together with supporting documents specifying the project's objectives, components, elements, feasibility and legal status.

The investment law no. 8 of 2007 provides incentives and guarantees for investments that meet a certain investment criteria, mainly investments of strategic importance to the Syrian economy.

In addition to the incentives provided in the investment law, dealing through the SIA provides the investor with a one stop shop (investment service center) to facilitate all necessary governmental and industries support for investors.

During 2010 many limitations on foreign investments were reduced including the limitation of maximum foreign investment in private banks, allowing non-residents to own and trade in listed Syrian stocks, real estate ownerships, the introduction of private public partnerships (PPP) projects in the energy and infrastructure domains etc.

Commonly used business entities

Syrian Law provides for the following forms of business entity:

- Partnership
- Limited partnership
- Undisclosed partnership
- Limited liability company
- Joint stock company
- Branch of a foreign company.

LLCs, JSCs, and branches are the only common entities in Syria that may be owned by another entity. All registration of companies requires an application to the Syrian Ministry of Economy and Trade.

Main legal formalities for the formation of a company or registration of a branch

- Apply to the Ministry of Economy and Trade to request licensing the registration of a company or a branch.
- Articles of Association should be drafted, and then signed by all of the founding partners or their delegates; the signatures should be witnessed by the Public Notary or the Ministry of Economy and Trade.
- The license decree and Articles of Association should be published in the Official Gazette.
- A copy of the new company's incorporation contract and Articles of Association should be filed in the Archive Department of the Lower Civil Court.
- Based on the above steps, a certificate of commercial registration shall be obtained from the Ministry of Economy and Trade.

If the investment falls into the criteria covered under investment law no. 8 of 2007, an application is filed with the SIA and the SIA's one stop shop will guide and assist the investor through the necessary steps to obtain the necessary permits to commence work.

Currency/monetary restrictions

Syria allows the outflow of foreign currency under certain rules and regulations overseen by the Syrian Credit and Monetary Council.

Foreign currency exchange and transfers are done through registered exchange companies, money transfer companies, and all licensed private and public banks.

Syrian foreign exchange regulations are complicated. Investments licensed under Investment Law have full flexibility to transfer foreign currency outside Syria.

Regulatory requirements for Financial Services

The Central Bank of Syria (CBS) is the regulator of banking industry. The insurance industry is regulated and monitored by the Syrian Insurance Supervision Committee (SISC). All public joint stock companies (including financial services companies) are regulated and monitored under the supervision of the Syrian Commission on Financial Markets and Securities (SCFMS).

Accounting/Finance for companies and branches of foreign companies

Financial statements

Public joint stock companies are required to file audited financial statements along with the auditor's report to the SCFMS. Private banks, insurance companies and branches of foreign companies are also required to file audited financial statements with the relevant authority.

All financial statements mentioned above should be prepared in accordance with IFRS.

Audit requirements

Financial statements of most companies must be audited by a Syrian certified public accountant on annual basis.

Requirements for foreign investors

Foreign investments are monitored by the Syrian Investment Commission or the Ministry of Economy and Trade.

Book year/accounting currency

Financial statements are prepared on a calendar year basis. With special approval of the Minister of Finance, a different year end may be adopted if the nature of the taxpayer's business requires such a change. Financial statements should be presented in Syrian Pounds.

Format

No specific regulations define any format for the financial reports, although International Financial Reporting Standards (IFRS) are widely applied. The commercial law requires that books of account and financial reports should be in Arabic.

Tax

Approval requirements

Approval is not required from the Syrian Tax Authority to start a business. However, a Syrian tax number should be obtained from the Tax Authority, once the entity's commercial registration is finalized.

Advance tax rulings/ Advance pricing agreements (APA)

There are currently no advance tax rulings or advance pricing agreements in Syria.

Income tax compliance

The tax year is referred to as the fiscal year, which runs from January 1 to December 31. All taxpayers are required to file an annual income tax return within five months after the end of the fiscal year. A two-month filing extension may be obtained subject to Minister of Finance approval. Income tax due on declared profits should be paid within 30 days of the filing date. In certain cases, an advance on income tax on net profit may be collected on the importation of goods and materials at various rates.

Taxable income is computed by reference to accounting profit before tax with adjustments prescribed by tax law and regulations. Income tax rates differ according to the type of the company.

Financial statements including a balance sheet, income statement, and a statement of changes in fixed assets must be attached to the annual income tax return, which should be certified by a certified public accountant. Income Tax Rates.

The general current Corporate Income Tax rates on business profits are progressive rates from 10% to 28% of net taxable profits. The highest bracket applies to profits exceeding SYP 3,000,000 (equivalent to approximately USD 65,000).

Local Administrative Municipal Surcharges, with rates ranging from 4% to 10% of the tax due income tax amount, depending on the location of the taxpayer, are imposed in addition to the income tax amount.

Fixed income tax rates are imposed on the net taxable profits of the following entities:

- Joint Stock Company with minimum 50% public offering: fixed income tax rate 14% of the net taxable profit without additional surcharges.

- Other Joint Stock Companies, limited liability companies (LLC) and projects licensed under the rules of Investment Law: fixed income tax rate 22% of the net taxable profit in addition to Local Administrative Municipal Surcharges.
- Tourism Entities are subject to special tax rates applied on their monthly gross revenues, where 2.5% is imposed for Income Tax and 0.5% for Tax on Salaries & Wages without additional surcharges.
- Private Banks fixed income tax rate of 25% of the net taxable profit without additional surcharges.
- Insurance Companies with minimum 50% public offering: fixed income tax rate of 15% of the net profit without additional surcharges. Other Insurance Companies: fixed income tax rate 25% of the net profit in addition to Local Administrative Municipal Surcharges.

Indirect tax compliance

Customs Duty

Customs duties are levied at rates ranging between 1% and 50% of CIF value on various categories of goods defined according to the Harmonized System (international customs classification system) of the World Customs Organization. Fixed assets and their components for projects licensed under the Investment Law are exempted from Customs Duties.

Other

VAT and GST are not yet applied in Syria. However, Consumption expenditure fee is imposed on the sale of certain services and imported and locally manufactured goods. The fee varies widely in rates and implementation rules. Also this fee is expected to be replaced soon by VAT.

Other tax compliance

Withholding Tax

Withholding tax should be deducted at source and remitted to the Tax Authority on payments made to non-residents, foreign and Syrian companies for construction, services and supply to entities of the public, cooperative and mixed sectors, or to foreign companies. This tax is levied in lieu of both income tax and tax on salaries and wages. The withholding tax rates vary according to the nature and scope of work of the contract, with rates ranging from 1 percent to 10 percent of the amount paid. Dividends, repatriation of funds, and other movements of capital are not subject to withholding tax in Syria.

Capital Gains

Capital gains are generally taxed on both individuals and corporations. Certain exemptions are provided from tax on capital gains for individuals. For corporations, capital gains are taxed as ordinary income subject to corporate income tax rates.

Stamp Duty

Stamp duty is imposed on documents and contracts subject to the fee.

Social Security Contribution

Is levied at 7% of basic salary paid to be withheld from employee salaries, and an additional 17.1% of the basic salary to be paid by the employer.

Director's liability to tax

A director of a resident company in Syria is subject to tax on salaries and wages, unless the remuneration received by the director is a share of the net profit. In this case, the remuneration is subject to income tax and shall not be subject to any other taxes.



Tunisia

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Regulatory/Legal

Setting up business

Generally there are no restrictions on setting up a business in Tunisia. However businesses in certain sectors require a license or permit to operate. e.g. Casino, any trading activity (buy and sell structure) performed by foreign entities.

Commonly used business entities

There are three major categories of commercial entities in Tunisia:

Capital Company

- Public Limited Liability Company (Société Anonyme/SA)
- Partnership Limited by Shares (Société en Commandite par Actions).

Partnership Company

- General Partnership (Société en Nom Collectif)
- Limited Partnership (Société en commande simple)
- Silent Partnership (Société en Participation).

Hybrid Company

This is half-way between the legal system of joint stock companies and partnerships and includes:

- Private Limited Liability Company (Société à Responsabilité Limitée / SARL).

The most common entities are:

- Public Limited Liability Company (Société Anonyme /SA)
- Private Limited Liability Company (Société à Responsabilité Limitée/ SARL).

Main legal formalities for the formation of a company or registration of a branch

The incorporation of a Public Limited Liability Company or a Private Liability Company in Tunisia generally has the following formalities:

- Establishing the articles of association of the company which must include:
 - Business name
 - Legal form
 - Purpose
 - Nationality
 - Registered capital and shares structure
 - Duration
 - Head Office.

- Obtaining a declaration from API (Agence pour la Promotion de l'Industrie).
- Registering the articles of association of the company with the Tax Authorities (Recette des Finances).
- Obtaining the license fee and declaration of the company's existence (patente et déclaration d'existence) which specifies the local regime of the company.
- Registration at the Commercial Register (Registre du Commerce).
- Publication of the articles of association of the company in the Tunisian Gazette JORT (Journal Officiel de la République Tunisienne).
- Obtaining the Code en Douane which specifies the customs regime of the company.
- Affiliation to Social Security (Caisse Nationale de Sécurité Sociale-CNSS).
- The establishment of a branch of a foreign company in Tunisia is free if it is a totally exporting company. However, if the activity of the company is for commerce, a special authorization document called the "Trade Card" has to be obtained from the Ministry of Trade.

Currency/monetary restrictions

Foreign trade and foreign exchange regulation is based on the foreign exchange code as enacted by Law n° 76-18 of 21 January 1976 and Law n° 94-41 of 7 March 1994 relating to foreign trade and their enforcement texts. Foreign exchange regulation is based on the following principles:

- Free transfer of business transactions and net real proceeds as well as the value added from sale or liquidation of capital invested previously through foreign currency import. All other transactions and commitments of which a transfer arises or may arise as well as any clearing of debts with foreign countries are submitted to prior authorization;
- Asset movements between Tunisia and foreign countries have to be executed through the Central Bank of Tunisia or, on the authority of the latter, by authorised intermediaries chartered by the Minister of Finance on proposal of the Governor of the Central Bank of Tunisia;
- Any individual or legal entity must deposit at a bank foreign banknotes, cheques, evidence of indebtedness denominated in foreign currencies as well as foreign securities that he/it holds in Tunisia. Individuals, who usually live abroad, are authorized to hold in their possession the currencies, which they have regularly imported, for their current expenditures during their stay in Tunisia;
- Resident individuals of Tunisian nationality as well as legal entities have to declare to the Central Bank of Tunisia their holdings abroad;
- Residents have to repatriate and, with exceptions provided for by the regulation into force, sell on the foreign exchange market currencies arising from goods export, remuneration of offered services abroad and, more generally, any income, or proceeds coming from abroad.

Regulatory requirements for Financial Services

The Central Bank of Tunisia is the prudential regulator of banks and its general assignment is to preserve price stability. In this respect the bank is notably in charge of:

- Watching over the monetary policy;
- Controlling money in circulation and being watchful with respect to sound functioning of systems of payments as well as guaranteeing their soundness, efficiency and security;

- Supervising the lending institutions;
- Preserving both the stability and security of the financial system.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Annual financial statements must be prepared and lodged with the Trade Register. They should be prepared in accordance with the Tunisian Accounting Principles and to the requirements of the Accounting Framework of Tunisian Enterprises, as detailed in Law n° 96-112 dated 30 December 1996.

Audit requirements

Financial statements of a company must be audited annually. However, private limited companies may be exempted provided two limits are not exceeded simultaneously. These limits are related to total revenue, total assets and number of employees.

A Tunisian branch is not required to conduct a separate audit of its financial statements, except if it is subject to profit transfer abroad.

Requirements for foreign investors

Foreign contribution in some services and activities other than those which are totally exporting activities (fixed by Decree) is submitted to the Superior Investment Commission's approbation (Article 52 of the Investment Incentives Code) when the contribution is more than 50% of the share capital.

However, trade activities require special authorization which is given by the Ministry of Trade and is called a 'Trade Card' (Carte de Commerçant).

Moreover, foreign investors cannot invest in sectors monopolized by the Government (such as electricity, water distribution, post, tobacco, fire powder, matches) unless they obtain a concession.

Nevertheless, wholly exporting offshore activities are not concerned by these restrictions.

Book year/accounting currency

The usual accounting year end is 31 December. Financial statements should be prepared in Tunisian Dinars. Derogations in relation to the year end and accounting currency may be obtained upon request and is subject to a formal approval of the Finance Ministry.

Format

The accounts and financial statements of a Tunisian taxable entity must be established and organized according to local GAAP and Tunisian legal requirements.

Tax

Approval requirements

A business does not require prior approval from the local tax authorities to commence business. However tax payers must file a tax registration declaration to obtain a tax identification number (called 'Patente').

Advance tax rulings/ Advance pricing agreements (APA)

It is generally possible to obtain advance tax rulings from the Tunisian Tax Authorities.

Tunisia does not provide advance pricing agreements.

Income tax compliance

The tax year is usually referred to as the fiscal year. The normal fiscal year runs from 1 January to 31 December.

Profits (income and taxable gains) of a company are assessed for an accounting period.

Taxable profits are determined on the basis of accounting statements. When there are discrepancies between tax rules and accounting rules, off-book adjustments are made.

The corporate income tax rate is generally: 30% for companies, 35% for certain activities (i.e. financial, telecommunications and hydrocarbon) and a rate of 10% is applicable for agriculture and fishing companies.

The annual tax should not be less than 0.1% of the gross local turnover with a minimum of:

- 200 Tunisian dinars for companies subject to the tax rate of 10%;
- 350 Tunisian dinars for companies subject to the tax rate of 30% or 35%.

Indirect tax compliance

The Tunisian VAT system is based on the principle of territoriality. As such, all economic activities conducted in Tunisia including industrial and handicraft activities, liberal or commercial professions are subject to VAT.

Other activities that are subject to VAT are:

- Imports;
- Wholesales (other than for food products);
- Retail trade for turnover that is equal or higher than 100,000 Tunisian dinars per year;
- Real estate transactions including sales.
- VAT paid on purchases is deductible from the VAT collected on sales turnover.

VAT rates are as follows:

- A standard rate of 18% is applied on goods & services non subject to another rate;
- A 6% rate is applied on the craft industry, medical activity and canned food;
- A 12% rate is applied on information technology services, hotels and restaurants, equipment.

Other tax compliance

Withholding tax is made on payments to non-resident entities (e.g. royalties). The applicable rate is 15% unless more favourable rates are granted in accordance with the double-taxation treaties (if any). This withholding tax discharges non-resident entities from corporate and income tax liabilities.

Director's liability to tax

As a general rule the salary of a director of a company is a deductible operational charge of the company including the salary of the director main shareholder of a private limited liability company.



United Arab Emirates

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Regulatory/Legal

Setting up business

Establishing business in the United Arab Emirates ("UAE") is subject to licensing requirements as well as foreign investment restrictions. Businesses can be set up in the UAE in the following two investment locations:

- Mainland UAE
- Free Trade Zones ("FTZ").

Mainland UAE is the area comprising the seven emirates which make up the UAE and the broader investment region outside of the FTZs.

FTZs are special economic areas established to promote foreign investment and economic activities within the country. There are over thirty-five FTZs in the UAE currently with many more in the pipeline.

Commonly used business entities

Mainland UAE

- Representative Office – Allowed to carry out only marketing and business development activities
- Branch – Can be 100% foreign owned and is allowed in general to carry out activities similar to the profile of the parent. Activities are approved on a case by case basis
- Limited Liability Company ("LLC") – 51% of the share capital has to be held by a UAE national or a company wholly owned by UAE nationals.

Other forms of entities such as partnerships etc. are generally open only to UAE nationals.

FTZs

- Free Zone branch
- Free Zone Establishment (FZE)
- Free Zone Company (This is either in the form of a single shareholder company known as Free Zone Establishment or a multiple shareholder company known as Free Zone Company or Free Zone Limited Liability Company in some of the FTZs).

Main legal formalities for the formation of a company or registration of a branch

Mainland UAE

A trade license for a company or branch must be obtained prior to beginning operations. A separate trade license is required for each Emirate in which the company or branch opts to do business.

Company

To register an LLC in mainland UAE it is necessary to properly register with the particular authority in the individual Emirate. Depending on the Emirate in question, the identity of this authority and the extent of documentation required may vary.

Branch

Approval of the Ministry of Economy is required before applying to the relevant local authorities for commercial registration with the Foreign Companies Register at the Ministry and a trade licence. Certain activities may require approval of other Ministries. The specific authorities to which documents must be submitted and approvals obtained generally vary depending on the Emirate in question.

It should be noted that the authorities scrutinise an application for the setting up of a branch very closely and licences are granted on a case-by-case basis, depending on the merits of the application.

Free Trade Zones

Broadly, the process involves an approval phase and a legal documentation phase. The application and the project proposal (submitted in various forms such as business plan, letter of intent etc., depending on the location) are evaluated and approved by the authorities initially. The second stage involves submission of legal documents of the shareholders/owners of the proposed entity. The legal documents would be required to be notarized and attested in the home country of the shareholder/shareholding entity.

Once the relevant documentation is accepted and the registration and license fees paid an entity will be registered. A license to carry out the proposed activity is issued by the relevant authority, which completes the registration process. This license is to be renewed annually. The exact process and the finer details on documentation will vary depending on the investment location, nature of activities, type of entity etc.

Currency/monetary restrictions

Local currency is United Arab Emirates Dirhams (AED).

There are no foreign exchange or monetary restrictions.

Regulatory requirements for Financial Services

Financial services are governed by the UAE Central Bank and the regulations issued by them apply. There is also a specific FTZ for entities providing financial services known as the Dubai International Financial Centre (DIFC) regulated by the Dubai Financial Services Authority (DFSA).

Accounting/Finance for companies and branches of foreign companies

Financial statements

There are no local accounting standards. Most international companies are known to follow the International Financial Reporting Standards (IFRS).

Mainland UAE

The requirements for an LLC on mainland UAE are as follows:

- LLCs must appoint auditors at the time of initial registration; the registration application requires that an auditor's certificate and a copy of the auditor's license be lodged with the application;
- LLCs are required to keep accounts, appoint auditors and prepare audited annual accounts;
- There is no official requirement to lodge the audited accounts with the trade license renewal application. In practice, the authorities can request that the audited accounts be provided when the trade license renewal is applied for.

There are no similar requirements for a branch. However, in practice, the authorities have been known to ask for a locally audited set of financial statements when a license renewal application is made.

FTZs

The free trade zone regulations often require filing of audited financial statements in order for the free zone license to be renewed.

In practice, multinational companies get their accounts audited in accordance with internationally accepted accounting and auditing standards both for group reporting purposes as well as corporate governance.

Requirements for foreign investors

See earlier comments.

Book year/accounting currency

There are no specific requirements.

Format

There is no specific prescribed formats for financial statements.

Tax

Overview

Corporate income tax

Mainland UAE

There are seven Emirates, including Dubai and Abu Dhabi, which make up the mainland UAE. There is no corporate tax legislation at the Federal UAE level. However, corporate tax legislation has been enacted in some of the Emirates through their own decrees. Please note that whilst tax decrees have been issued by some of the Emirates, they are currently only enforced on foreign oil companies and branches of foreign banks.

There is no guarantee that tax will not be enforced on other corporate entities at some time in the future since there is no specific legislation that grants exemption to non oil or non banking entities from tax. This existing framework has evolved in practice and, therefore, theoretically all corporate entities are liable to corporate income tax.

FTZs

Entities within a FTZ enjoy a tax holiday generally for 50 years.

Withholding taxes

There are no withholding taxes in the UAE currently.

Advance tax rulings/
Advance pricing
agreements (APA)

There are no advance tax rulings/advance pricing arrangements given the current tax regime in the UAE.

Income tax compliance

As corporate tax is only currently enforced on oil companies and branches of foreign banks and no withholding taxes exist, there are no other tax filings or tax compliance requirements currently in the UAE.

Format

There is no specific prescribed formats for financial statements.

Indirect tax compliance

Customs duty

The only indirect tax levy in the UAE currently is customs duty. With effect from 1 January 2003, the countries of the Gulf Cooperation Council ('GCC') formed the GCC Customs Union which uniformly imposed 5% duty on the majority of goods entering the GCC. The GCC countries are UAE, Bahrain, Qatar, Kuwait, Oman and Saudi Arabia.

This duty is charged at the first point of entry into the GCC and the goods on which the duty has been paid may then move freely between member states without payment of any further duty.

Every importer is required to file customs declaration and other relevant customs documentation at the time of import into the UAE, as prescribed in the GCC Customs Law.

VAT

There is currently no sales tax or VAT on any goods or services except for sales tax on alcohol.

However, the UAE, in conjunction with the other GCC states, has been actively considering the introduction of a VAT regime. Please note that the details of the timeline for the introduction of VAT in the UAE or the details of the legislation are not yet available in the public domain.

Other tax compliance

There are no other tax compliance requirements in the UAE.

Director's liability to tax

Not applicable based on the current tax regime in the UAE.



Yemen

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Regulatory/Legal

Setting up business

There is currently no restriction on foreign ownership of any form of business in Yemen, except acting as an agency of a foreign company, which must be 100% Yemeni owned. Every activity requires some form of legal registration, e.g., opening a branch, forming a company, and/or obtaining a commercial registration. However, this is a legal formality; as a formally compliant company registration will normally not be refused, unless the activity is illegal or the parties have reputational issues. Industries that are regulated, make use of sovereign resources, or involve a grant of rights, such as banking, insurance, oil, minerals, telecommunications, or infrastructure (ports or public power generation) operation and maintenance normally require an agreement or approval from the responsible Government ministry. However subcontractors working in these industries are not generally controlled or regulated by the state.

Investments are only subject to licensing if the investor wants to take advantage of tax preferences granted under the Investment Law.

Commonly used business entities

Foreign businesses in the oil & gas, banking, contracting, hotel, and services sector commonly operate via branches of foreign companies, which is also permitted for manufacturing, agriculture and fisheries.

Foreign businesses may form companies for almost any kind of business, most commonly Limited Liability Companies (LLCs), which are however not permitted for banking or insurance. Joint stock companies (JSCs) may also be formed, typically for larger, more complex activities, or where wider shareholding is anticipated.

LLCs are simpler and cheaper to form and liquidate, subject to less complex governance and regulation, have no defined minimum share capital, but are limited to 30 partners, with existing partners given priority to acquire any share up for sale.

JSCs are more complex and regulated in every respect, but with practically unlimited transferability of shares and numbers of shareholders, and no restriction on types of activity. JSCs may be closed, open, or public.

Joint ventures exist in Yemen, primarily in the oil sector, but are not really recognized in Yemeni law. Individual investors may also obtain commercial registration as sole proprietors, or participate in partnerships.

Main legal formalities for the formation of a company or registration of a branch

Branch

A branch must have a General Manager, and an address and office in Yemen. A branch requires a nominal capital of US\$ 30,000 or equivalent. The foreign parent's Certificate of Incorporation, Articles of Association, a Board resolution authorizing opening a branch and designating the General Manager, the General Manager's ID, and a bank certificate of the capital deposit must all be submitted to the Ministry of Industry and Trade (MIT) with a request for licensing. The complete process typically takes about six weeks from the time all documents are ready.

Companies

LLCs require a minimum of two partners and one manager, with no fixed minimum capital required. All shares must be paid up, and may be in Yemeni Rial or another major or regional currency, commonly US dollars. The company must have an address and head office in Yemen. The Incorporation Contract, Articles of Association, identity documents for all shareholders, and a local bank certificate of the capital deposited must all be submitted to the Ministry of Industry and Trade (MIT) with a request for licensing. The complete process typically takes about two months from the time all documents are ready.

JSCs require a minimum of five shareholders and three directors. Minimum capital is YR 15 million or equivalent, divided into shares with a minimum value of YR 10,000 each. At least 20% of the value of cash shares must be paid up at subscription, and may be in Yemeni Rial or another major or regional currency, commonly US dollars. The company must have an address and head office in Yemen. The Incorporation Contract, Articles of Association, identity documents for all shareholders, a local bank certificate of the capital deposited, and minutes of the founding General Assembly must all be submitted to the Ministry of Industry and Trade (MIT) with a request for licensing. The complete process typically takes about three months from the time all documents are ready, because of the publication requirements.

Currency/monetary restrictions

Yemen currently has no currency controls, other than documentary and reporting requirements of financial institutions that relate to managing foreign currency reserves and anti-money laundering compliance. The Yemeni Rial is freely convertible in cash or via banks, and funds in any major or regional currency may be freely transferred abroad for any legal purpose.

Regulatory requirements for Financial Services

Banks, money changers and wire transfer agencies are all regulated by the Central Bank of Yemen. Insurance companies are regulated by the Insurance Department within MIT.

Accounting/Finance for companies and branches of foreign companies

Financial statements

Branches and Yemeni companies are required to attach audited financial statements to their annual tax declaration, which is due by April 30 of the following year. Commercial banks are subject to detailed financial reporting rules, largely based on IFRS. Certain minimal content is defined for other JSCs in the Companies Law. Oil and mineral operators are subject to detailed reporting requirements in terms of the agreements governing them. Otherwise, Yemen has no accounting or auditing standards. IFRS is typically applied by larger and foreign entities.

Audit requirements	As above, an audit is required for company financial statements attached to a tax declaration. No specific standards apply outside of the banking sector.
Requirements for foreign investors	Foreign and local investors are treated substantially the same under the law.
Book year/accounting currency	With very rare exceptions, all entities in Yemen use the calendar year. Financial statements may be prepared in a functional currency other than Yemeni Rials.
Format	As noted above, only banks and oil and mineral operators are subject to reporting in prescribed formats.

Tax

Approval requirements	A business should obtain a tax number from the Tax Authority when established. The tax card should be renewed each year.
Advance tax rulings/ Advance pricing agreements (APA)	Advance rulings are generally not available. However, tax rules are generally either defined by law or regulation, or well established practice. Deviations from standard practice are generally not advisable.
Income tax compliance	<p>The tax year is the calendar year. Some income tax is collected in advance, chiefly withholding tax from payments to foreign service entities or government contractors, and income tax in advance collected on imported goods at Customs points of entry. Otherwise, all income tax is declared and paid with the annual income tax declaration, due April 30 of the following year.</p> <p>Taxable income is computed based on accounting profit before tax, with certain adjustments prescribed by the tax law and regulations.</p>
Indirect tax compliance	<p>General Sales Tax</p> <p>Most goods and services sold in Yemen are subject to General Sales Tax (GST), which operates similar to a VAT, with a general rate of 5%. Businesses with gross annual taxable sales of YR 50 million or more are required to register for GST. GST is charged on the face of the invoice on the gross invoice value.</p> <p>GST is also levied at the point of import on imported goods, on CIF value plus duty and clearing charges paid. Registered GST taxpayers pay 5%; importers not registered for GST currently pay 5% plus an additional 5% to cover the notional tax that would have been collected upon various stages of resale (by a registered taxpayer), under the name "value added".</p> <p>Manufacturers in Yemen must charge and collect GST, currently at 6% on gross invoice value at the factory gate, 5% GST plus 1% to cover "value added" upon resale.</p> <p>GST must be declared and paid monthly, by the 21st of the following month. All documented GST paid on inputs may be subtracted from GST due and payable for the month, to mitigate double taxation.</p> <p>Exports of goods or services are exempt, as are wheat, rice, baby milk, medicine, unworked gold, financial services, health, education, non-profit activities, domestic land transport, international transport, residential rents, utilities, sanitation, and the oil and minerals, foreign donor aid, and diplomatic sectors.</p>

Other tax compliance

Withholding Tax

Withholding tax on payments to foreign service contractors must be declared and paid by the 15th of the month following the month of payment. Withholding tax applies to all kinds of services, including royalties, intellectual property, management fees and interest, but not to dividends or other pure movements of capital.

The withholding tax rate is 10% on payments for pure services to foreign non resident parties, and 3% on payments for mixed (labour and material) contracts with foreign non-resident contractors.

Payroll Tax

Payroll taxes (salary tax, social security, and Skills Development Fund contributions) are solely the responsibility of the employer, and must be deducted as appropriate, declared and paid monthly.

Director's liability to tax

Directors are subject to tax as employees on any defined compensation paid to them.

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